



The grassroots machine behind Le Pen's rise
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Are sparkling stocks merely dusted in glitter?
KATIE MARTIN, PAGE 21

Tories braced for bleak night as polls put Labour on track for landslide win

◆ Starmer poised for 200-plus majority ◆ Sunak fears worst loss since 1906 ◆ Voters urged to cast ballot

GEORGE PARKER, JIM PICKARD AND RAFA UDDIN

Britain heads to the polls today with Sir Keir Starmer predicted to win power in a historic Labour landslide, leaving Rishi Sunak's Conservative party facing one of the worst defeats in its history.

A series of opinion polls suggested that Starmer was on course to win a majority of over 200 – beating Sir Tony Blair's 179 margin in 1997 – and winning Labour's first election since 2005.

Polling stations opened at 7am and close at 10pm, by which point the scale of Sunak's expected defeat will become clear. Polls suggest the Tories could win fewer seats than the 156 they won in 1906, their worst result.

Even before a vote had been counted, Sunak's close ministerial ally Mel Stride declared that the election was "likely to see the largest Labour landslide majority that this country has ever seen".

Sunak has warned of the dangers of giving Labour a "supermajority", in an attempt to persuade voters to stick with the Tories and to ensure his party could at least provide an effective opposition.

The mood of despair hanging over the Conservative election campaign – a six-week catalogue of errors and self-inflicted damage – intensified on the eve of poll when Rupert Murdoch's *The Sun* gave its support to Starmer. "The Tories are exhausted," the tabloid said.

That blow was compounded by a series of MRP mega-polls suggesting that Labour would win by a margin of over 200 seats. A YouGov poll was typical, projecting Labour would win 431 seats, with the Conservatives taking 102 and the Liberal Democrats a record 72, beating the 62 the party won in 2005.

The survey gave Nigel Farage's Reform UK party just three seats but the populist party has been draining Tory support across the country, helping to facilitate a Labour win. The SNP was forecast to fall into second place in Scotland with 18 seats, behind Labour.

Under the YouGov scenario a series of big Tory names would be toppled, including Jeremy Hunt, Grant Shapps and Penny Mordaunt. Liz Truss, former prime minister, is locked in a tight race



with Labour in her Norfolk seat, although the polls suggest Sunak should hold on to Richmond in Yorkshire.

Ahead of what looks likely to be one of the bleakest nights in Tory history, Sunak admitted that some voters were

out for revenge after years of squeezed living standards, poor public services and political chaos.

"I appreciate people have frustrations with our party, of course I do. We haven't got everything perfectly right," he said. "Tomorrow's vote is not a by-election on the past, it is a vote about the future."

Labour strategists fear that some voters might stay at home on the grounds that the result is assured. Starmer called Stride's comments "voter suppression" and an attempt "to get people to stay home rather than go out and vote".

Starmer later said he welcomed the opportunity offered by the election

after the frustration of opposition. "Being in opposition, voting and losing for nine years, is not doing what I came into politics to do," he said.

With many constituencies on a knife edge, the result is far from clear and the Conservatives could yet fare better than opinion polls suggest. However, Labour has had a consistent 20-point lead.

A final MRP poll by Focaldata gave Labour a 238-seat majority, while a More in Common survey gave Starmer's party a 210-seat margin of victory. A JLP poll gave Labour a 234-seat majority.

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Chris Giles page 21

Sir Keir Starmer and Rishi Sunak realise that with many seats on a knife edge, the result remains far from certain

— FT Illustration by Chris J. Ratcliffe/Bloomberg and Stefan Rousseau/PA



As former chief prosecutor, Starmer has one last case. Labour should commission an audit of Brexit and relentlessly apportion blame for its conclusions

Robert Shrimley
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Briefing

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The restaurant chain has been put up for sale as it seeks to grow globally, with investment bank Stephens hired to run the process. Meanwhile, Rare Restaurants, owner of rival Gaucho, is also exploring a sale.— PAGE 10

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Starmer's campaign chief seeks key to serial winning

Morgan McSweney believes parties are wrong to analyse their mistakes only when they lose. As Labour's influential campaign manager, he plans to begin a data-heavy review of the party's performance within days of today's ballot, whether or not it brings resounding victory. The aim is to prepare Sir Keir Starmer's party for the testing years of government – and to chart the course to winning a potential second election, likely in 2029.

'Data nerd' ► PAGE 3

Anxious Democratic supporters press Biden to step aside for 'next generation'

LAUREN FEDOR — NEW YORK

Joe Biden came under mounting pressure yesterday to quit his race for re-election, as Democratic lawmakers, party operatives and donors raised questions over whether the US president could beat Donald Trump.

A CBS News poll conducted after last week's disastrous debate and published yesterday showed Trump, the presumptive Republican nominee, with a two-point lead over Biden nationally. The same poll gave Biden a lead a month ago.

Reports from the New York Times and CNN cited anonymous Biden allies saying the president was aware that his re-election bid was now in peril.

The New York Times said much now depended on forthcoming public appearances, including a taped national television interview tomorrow and

campaign stops in Wisconsin and Pennsylvania this weekend.

The White House called the report "absolutely false".

The Biden campaign has for days insisted that the president would stay in the race after last week's debate raised questions over his fitness for office. But betting markets have shifted sharply in favour of Vice-President Kamala Harris, yesterday for the first time giving her better odds than Biden of winning November's election.

Harris was due to meet the president yesterday. The vice-president has been plagued by low approval ratings for much of her time in office but her potential as a replacement for Biden has gained momentum in recent days.

Biden was due to meet Democratic governors at the White House, expected to include California's Gavin Newsom

and Illinois's JB Pritzker, while North Carolina's Roy Cooper and Pennsylvania's Josh Shapiro were to join virtually.

As donors said pressure was building on Biden to step aside, business figures from Leadership Now, a pro-democracy non-profit group, urged the president to pass on the nomination to "the next generation of highly capable Democrats".

The president spoke to Democratic Senate majority leader Chuck Schumer yesterday, having talked to House leader Hakeem Jeffries on Tuesday, according to two people familiar with the conversations.

On Tuesday, a CNN poll showed Biden's approval had plunged to an all-time low and that Harris beat him in a hypothetical match-up against Trump.

Additional reporting by Steff Chavez in Washington and Joshua Chaffin in New York
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World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS					
	Jul 3	Prev	%chg	Pair	Jul 3	Prev	Pair	Jul 3	Prev	Yield (%)	Jul 3	Prev	Chg
S&P 500	5625.14	5509.01	0.25	\$/€	1.081	1.074	€/\$	0.926	0.931	US 2 yr	4.70	4.73	-0.03
Nasdaq Composite	18141.76	17879.30	1.47	\$/£	1.276	1.268	£/\$	0.784	0.789	US 10 yr	4.36	4.44	-0.08
Dow Jones Ind	39246.75	39331.85	-0.22	€/£	0.847	0.848	£/€	1.181	1.180	US 30 yr	4.53	4.62	-0.09
FTSEurofirst 300	2044.05	2028.94	0.74	¥/\$	161.365	161.445	¥/€	174.336	173.440	UK 2 yr	4.15	4.16	-0.01
Euro Stoxx 50	4568.28	4506.33	1.26	¥/£	205.912	204.656	£ index	83.481	83.342	UK 10 yr	4.28	4.35	-0.08
FTSE 100	8171.12	8121.20	0.61	SFr/€	0.974	0.970	SFr/£	1.150	1.145	UK 30 yr	4.66	4.74	-0.08
FTSE All-Share	4462.25	4429.66	0.74	CRYPTO				JPN 2 yr	0.35	0.36	-0.01		
CAC 40	7632.08	7538.29	1.24		Jul 3	Prev	%chg	JPN 10 yr	1.10	1.09	0.01		
Xetra Dax	18374.53	18154.06	1.16	Bitcoin (\$)	60352.96	60077.32	-0.06	JPN 30 yr	2.27	2.26	0.02		
Nikkei	40580.76	40074.69	1.26	Ethereum	3310.62	3357.73	-1.40	GER 2 yr	2.92	2.91	0.01		
Hang Seng	17578.57	17759.14	1.16	COMMODITIES				GER 10 yr	2.56	2.60	-0.04		
MSCI World \$	3637.51	3519.95	0.50		Jul 3	Prev	%chg	GER 30 yr	2.74	2.80	-0.06		
MSCI EM \$	1079.78	1097.38	-0.70	Oil WTI \$	82.83	82.81	0.02						
MSCI ACWI \$	806.79	803.77	0.36	Oil Brent \$	86.27	86.24	0.03						
FT Wilshire 2500	7058.77	7017.83	0.58	Gold \$	2331.75	2329.10	0.11						
FT Wilshire 5000	54879.20	54566.20	0.57										

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NATIONAL

Brexit divide

Starmmer rejects rejoining single market

Risk of clash with pro-EU Labour supporters over refusal to consider option

JIM PICKARD — CARMARTHENSHIRE
PETER FOSTER — LONDON

Sir Keir Starmer has ruled out rejoining the European single market in his lifetime, setting up a confrontation with the pro-EU wing of the Labour party.

Asked during a trip to Wales if he could foresee “any circumstances” in which the UK would rejoin the EU single market during his life, the 61-year-old

Labour leader — whom polls say is set to be appointed prime minister after today’s general election — was emphatic.

“No,” he told the Financial Times, “I don’t think that is going to happen. You know, I’ve been really clear about not rejoining the EU, the single market or the customs union or a return to freedom of movement.”

Starmer’s decision to rule out rejoining for decades puts him at odds with a large section of his party’s supporters.

Labour voters were “markedly more likely” than average to say they would vote to rejoin the bloc, with as many as 78 per cent saying they would vote for a

return to the EU, according to polling by the UK In A Changing Europe (UKICE) think-tank published this week.

More than half of Labour voters said they believed Britain’s EU membership had “not been settled and should be reopened”, raising questions about whether Starmer would face pressure as prime minister to be more ambitious.

“The Labour party and its electorate are far more pro-EU than Starmer seems to be, and that could create a substantial political headache for him,” said UKICE director Anand Menon.

Pro-EU campaigners have lobbied for Starmer not to rule out deeper engage-

ment with Brussels, leaving the door open to a rapprochement if he were to win a second five-year term in 2029.

Starmer is pushing for a closer relationship with the EU on several fronts, including trade, security and research and development, he said yesterday.

However, the party leadership has repeatedly emphasised its “red lines” on single market membership, including accepting the free movement of people, one of the main reasons why the UK voted to leave the EU in 2016.

The leadership even ruled out negotiating an agreement with the EU to enable young people to work and travel

more easily, saying such a package was too close to free movement.

However, Mike Galsworthy, chair of the European Movement, a pro-rejoin pressure group, said popular support for re-engaging with the EU ran deep, driven by sympathy with European values and the need to reduce the economic damage of Brexit.

“Sooner rather than later, the UK government will have to engage with big decisions on Europe that they may now fear. But being ready to offer that choice is far better than getting caught short by their own wishful thinking,” he added. **Robert Shrimley page 21**

Justice system

Jails just days from breaking point, warn governors

WILLIAM WALLIS AND JIM PICKARD

Jails in England and Wales will be at “operational breaking point” within days of the general election, requiring the new government to take tough decisions immediately, the head of the prison governors’ union has warned.

Tom Wheatley, president of the Prison Governors’ Association (PGA), told the Financial Times that if the Labour party won power, as polls suggest, it would inherit a service that was arguably no longer “still a going concern”.

He said the Conservative government had ignored repeated warnings about overcrowding and that official data showed jails would reach “operational breaking point”, where they could no longer safely accept more inmates, within a “week or two” of the election.

“The government has known about this for ages. There are things they could have done, and didn’t, right up until the election was called,” Wheatley said. “They made it inevitable that someone else would have to make very difficult decisions.”

Wheatley said the criminal justice system would “grind to a halt” without urgent action. He painted a scenario in which prisons would have to reject new inmates, police cells would fill up and courts would have to delay sentencing, with police officers forced to slow the rate of arrests before long.

According to figures published by the Ministry of Justice on June 28, the prison population stood at 87,360. Capacity is 88,818 in England and Wales.

When prisons were close to capacity last October, the MoJ began authorising the release of some inmates 70 days early. The measure was still in operation but had already “produced its bounty”, Wheatley said.

He estimated that 30 to 50 per cent of those discharged early had returned to jail either because they had reoffended or had broken the terms of their release.

The criminal justice system has been under intense strain for more than a decade, with police, prison and justice budgets among the hardest hit by former Conservative chancellor George Osborne’s austerity programme.

In the same period, since 2010, the average prison sentence has risen 57 per cent amid efforts to ensure more serious offenders stay longer behind bars. Overcrowding has been compounded by record backlogs of court cases and the number of people held on remand.

Wheatley said the next government would immediately have to introduce short-term safeguards, including the interim use of police cells.

It might have to consider using electronic tags to monitor sentenced offenders at home until prison space is freed up, he suggested.

Labour has mirrored the Conservatives’ pledge to build 20,000 new prison places but has not said what it will do in the short term to address overcrowding.

Labour leader Sir Keir Starmer said yesterday that if elected, he would inherit a “massive mess” in prisons that would require “hard yards” to sort out. “It’s a very serious problem when the government has allowed the prison system to get so full . . . that we are having to release people who should be in prison,” he said.

The Conservative party and the MoJ did not comment.

Campaign. Key moments

Soggy start and D-Day gaffe put PM on back foot

Decision to call early poll was criticised while betting furore added to Conservatives’ woes

GEORGE PARKER AND RAFI UDDIN

Six weeks have passed since Rishi Sunak walked out into a rainstorm on Downing Street to announce today’s general election, presaging a campaign of drama, mistakes and comic incident.

One thing has barely changed, however. Sunak’s Conservatives entered polling day trailing Labour by about 20 points, almost exactly the same gap as when the campaign started on May 22.

Sir Craig Oliver, who was head of communications for former prime minister David Cameron, said the party’s dismal recent record meant the contest was “over before it started”.

Even given this, the Tory campaign was riddled with problems from the outset. Isaac Levido, campaign chief, was among those urging Sunak to wait until later in the year. “They seemed to wrongfoot themselves,” said one Labour strategist. “It has been the worst campaign in my lifetime,” said one veteran Tory seeking re-election. But could Sunak’s polling have fared better if things had gone differently?

These are some of the critical events on the campaign trail.

Sir Ed Davey falls off a paddle board (May 28)

The Liberal Democrat leader perfected a new form of campaigning: making a fool of yourself. On May 28, on Windermere, he provided one of the defining moments of the campaign.

Amid the fells of the Lake District, a wet-suited Davey gave a masterclass on how not to stand on a paddle board. Until the campaign started, many voters had no idea who Davey was. At least now he was being noticed.

The danger for Davey was being squeezed out of media coverage by the bigger parties but the stunts helped secure him a hearing on policies such as tackling water pollution or helping Britain’s carers.

His party political broadcast, in which he talked about caring for his severely disabled son, was widely seen and helped the Lib Dems nudge up



A rain-soaked Rishi Sunak leaves the podium after announcing the early poll. Ed Davey’s paddle board fall, above. Diane Abbott, below — AFP/PA/Getty images



in the polls. Davey’s party is on course for one of its best results in years.

Diane Abbott allowed to stand, after all (May 31)

Sir Keir Starmer, Labour leader, had his worst week of the campaign when he dithered for days about whether leftwinger Diane Abbott should be allowed to stand for the party at the election.

Abbott was suspended from the party last year after saying Jewish, Irish and Traveller people experienced prejudice but not racism. Starmer clearly hoped to see the back of her at the election.

But after criticism from senior party figures, the Labour leader relented and said she could defend her Hackney North seat, after all.

“It was Starmer’s most obvious mistake,” said Anthony Wells, head of political polling at YouGov.

“But it was right at the start of the campaign.”

Thereafter, Starmer played it safe, allowing the Conservatives to fall into traps of their own making, and appearing to adopt Napoleon’s dictum: “Never interrupt your enemy when he is making a mistake.”

Nigel Farage returns (June 3)

Potentially the most significant event of the whole campaign and Sunak’s worst nightmare: Nigel Farage, pictured, decided to run for parliament and took over as leader of Reform UK.

The rightwing party leapt from 11 per cent in opinion polls in the first week of the campaign to about 16 per cent, as Farage injected some energy into an often lacklustre campaign.

Reform could help deny the Tories dozens of seats by splitting the rightwing vote, according to the Financial Times’ analysis of polling data. Farage is expected to win in Clacton, while the party could pick up other seats too.

Farage has been hit by criticism over racist comments by a Reform activist

and over his claim that Vladimir Putin, Russian president, was “provoked” by the west into invading Ukraine, as well as defections by some candidates — but the party’s polling position has remained stable.

Rishi Sunak’s D-Day disaster (June 6)

The prime minister’s decision to leave D-Day commemorations early in order to carry out a pre-recorded interview with ITV will go down as one of the worst campaign blunders in recent years.

Sunak concluded he did not need to attend an event on Omaha Beach attended by world leaders including US President Joe Biden and Emmanuel Macron, president of France.

“It was completely wrong,” said cabinet colleague Penny Mordaunt.

The Tory campaign was already viewed as accident-prone, a perception that took hold from the moment a sudden Sunak announced the election date on May 22. Given that Sunak was trying to stop older voters defecting to Reform UK, rushing home from a D-Day event simply confirmed in many people’s

minds that the Tory campaign was doomed.

The Tory betting scandal (June 12)

Craig Williams, Sunak’s close parliamentary aide, admitted he was being investigated by the Gambling Commission over his “flutter” on the election date. Other Tory officials and candidates were soon embroiled in the widening probe.

Sunak said he was “incredibly angry” over the affair, and the prime minister’s allies said he felt betrayed that people so close to him appeared to have tried to profit from their privileged position.

Wells said the row, which dominated the airwaves for days, represented a “huge opportunity cost”, given that it stopped the Tories talking about other campaign themes.

Sir Craig Oliver, who is now a communications consultant, said “gamblegate” was toxic because it “reminded people during the campaign” of the “Partygate” scandal of coronavirus lockdown revels, and reinforced their suspicion that the Tories were only in it for themselves.

Election night All eyes on the Red Wall, A30 and Clacton

RAFI UDDIN, ELLA HOLLOWOOD AND JONATHAN VINCENT

Polls predict that the country’s political map will be fundamentally redrawn by a historic victory for Sir Keir Starmer’s Labour party after 14 years of Conservative rule. But the full outcome will not be known until tomorrow morning. Here is what to expect.

Results timing

Broadcasters will publish an exit poll estimating the results at about 10pm, seconds after polling stations close. Compiled by pollsters Ipsos, it is based on mock ballot papers filled in at 130 polling stations.

Actual constituency results will trickle in overnight. Shortly before midnight, Blyth and Ashington in the north-east of England is expected to make the first declaration.

From 2am, the results will pick up. Based on current polls, Labour is likely to have a clear majority by about 4am.

At about this time, Sunak’s seat of Richmond in North Yorkshire will be declared. Starmer’s London seat of Holborn & St Pancras is expected to declare about 15 minutes later, giving him a platform to address voters.

Portillo moments

Previously safe Conservative seats could yield a “Portillo moment” — a reference to then Tory cabinet minister Michael Portillo unexpectedly losing his seat in the 1997 New Labour landslide.

Rebuilding the Red Wall and a Labour ‘supermajority’

Labour will be eager to reclaim the “red wall” seats in the north of England that it lost to Boris Johnson’s Conservatives in the 2019 election.

Recovering seats such as Great Grimsby and Cleethorpes, and Scunthorpe, would be a significant morale boost, and a sign that the party is on course to win back its historic heartlands.

While most large-scale polls have the party on course for a sizeable majority, securing even a slim majority requires a larger swing to Labour than the party secured in its 1997 landslide win.

Will Lib Dem stunts translate to votes?

Sir Ed Davey has spent much of the campaign engaged in a reckless pursuit of attention: paddle boarding, bungee jumping, hurtling down a water slide.

Now, his party looks set to make an

election splash. Some forecasts even suggest the Liberal Democrats could become the second largest in parliament, propelling Davey to become leader of the opposition. Its recent record result was in 2005, when it secured 62 seats.

In a sign of optimism, Davey engaged activists in a last-minute “Project A30” election offensive in towns bordering the A30 trunk road in Conservative heartlands in the south-west — areas it had once considered out of reach.

Will Nigel Farage enter parliament?

Reform UK — rebranded from the Brexit party — is expected to cost the

Tories dozens seats by splitting the rightwing vote and letting in Labour or Lib Dem candidates.

Of the handful of seats it is seriously contesting, the most focus will be on Clacton, where leader Nigel Farage is making his eighth attempt to become an MP.

Farage considers this year’s race a springboard for the 2029 election and is focused on pushing the Tories into third place in a number of seats.

Collapse of the SNP in Scotland

The Scottish National party has won a majority of the devolved nation’s seats in Westminster for close to a decade, but its fortunes have faded after 17 years of running the Scottish government and several internal party scandals.

The battle in Scotland — traditionally a Labour stronghold — will be shaped by two fights: in the central belt and north-east. Progressive voters in Glasgow and Edinburgh have backed the SNP in recent Westminster elections. But Labour and the Scottish Greens — a separate party affiliated with the Greens in England and Wales — are making headway in seats that could end up as three-way marginals.

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An exit poll will be released at about 10pm, just after voting closes

NATIONAL

Labour 'data nerd' charts course towards victory in next election

Campaign manager will review result in bid to iron out mistakes, whether party wins or loses

JIM PICKARD
DEPUTY POLITICAL EDITOR

Morgan McSweeney is already thinking about the next election.

Labour's influential campaign manager will begin a data-heavy review of the party's performance within days of today's ballot, whether or not it sweeps to the resounding victory suggested by the polls.

The project, working alongside think-tank Labour Together, aims to prepare Sir Keir Starmer's party for the challenging years of government ahead if elected — and to chart a course to win a potential second election, likely in 2029.

The "data nerd" has told allies that political parties analyse their mistakes only when they lose. "He'll say that everyone assumes that if you win an election it's because you did everything right, whereas there are always lessons to be learned," said one colleague.

If elected, Starmer wants a "decade of renewal" to implement an array of reforms to the UK. Yet colleagues say McSweeney — a softly spoken yet intense Irishman — is alive to the challenges facing a potential Labour government if it wins off the back of a collapse in Conservative support.

"He gets that if Labour wins big it will be because people lent them their vote and that the degree of electoral volatility — driven by a lack of party loyalty — makes it a challenge to hold on to those voters," said one Labour strategist.

Even now, rival polls show a wide potential disparity, between a modest Labour majority and a record-breaking landslide. Scores of seats will be decided by just a handful of votes.

McSweeney is "obsessed" with vote canvassing and whether it is being done by the party in the right places.

"He looks at graphs from each election to see whether people were deployed to safe Labour seats or to safe opposition seats when they could have been sent to actual marginals... the places that are most useful," said one Labour figure.

McSweeney's ascent to the head of campaigns caps a career working for or around the party. He worked for Labour in the early 2000s and in 2006 became a campaign aide to Steve Reed, a local party leader in Lambeth in south London.

During one campaign he brought a camp bed to work so he could sleep in the office. A girlfriend at the time brought his birthday cake to the office, one colleague recalled.

After Reed co-founded Labour Together he brought in McSweeney in 2017 as its director. The group became instrumental to efforts by centrist Labour figures to wrest control of the party from the "hard left" personified by then leader Jeremy Corbyn.

At the time the moderate wing was in disarray, with Sir Tony Blair, the three-time election-winning



Final push: the last day of the campaign saw Keir Starmer, centre, with Scottish Labour leader Anas Sarwar, at an event in East Kilbride, Scotland. Below, Morgan McSweeney
Jeff J Mitchell/Getty Images



former leader, among those who thought the party was permanently lost to the Corbyn fringe.

McSweeney used opinion polls and membership focus groups to deduce that Starmer was perhaps the only moderate Labour MP who could win a post-Corbyn leadership race.

"He realised that new members back then weren't different from people who have always been Labour members, they're just Guardian readers who have... strong feelings rather than deep ideology," said one colleague.

Since working on Starmer's leadership race, McSweeney has played a pivotal role in the reshaping of the party's internal institutions at the expense of leftwingers. Some colleagues expect the so-called hammer of the Trots to float more changes to Labour's rules to further lock out the hard left in future.

Kevan Jones, the former MP for North Durham, said: "Morgan is a driven individual who ruffles feathers and isn't everyone's cup of tea but he gets the job done. The results speak for themselves, he knows what he's doing whatever people think of him."

The pre-election removal of some leftwing candidates is widely seen as a signal that members of hard left faction the Socialist Cam-

paign Group could face further attrition in the coming parliament.

Today, he runs campaign operations from the centre of the party's open-plan offices in Southwark, London, alongside Pat McFadden, the MP who is election co-ordinator.

With Starmer's party so far in the lead in the polls ahead of today's ballot, McSweeney has been one of the voices of caution inside the party, urging colleagues to ignore the opinion polls that predict a thumping Labour win.

"He's always saying you have to treat every election like it's neck and neck," said one Labour MP. "He will say that right until the very end."

Victory would mean vindication for McSweeney's strategy since 2019 when Labour crashed to its worst result in 80 years.

He is expected to take up a job in Downing Street as either political secretary or director of political strategy, with a particular focus on advising leader Starmer on how to be a "campaigning government", according to one Labour figure. "He'll be thinking nonstop how to get a second term."

Though Labour is ahead in the polls, Starmer's personal approval rating remains in negative numbers, and research has shown most voters expect the next government to raise taxes to grapple with the nation's poor public finances.

The party also faces a potential "internal schism" after the election that could

'He gets that if Labour wins big it will be because people lent them their vote and that makes it a challenge to hold on to those voters'

see its MPs facing pressure from both left and right.

Some Labour MPs in "red wall" seats could see Reform UK coming in second place, but others elsewhere could have the Scottish National party, Greens or Liberal Democrats breathing down their necks. "You can see how that would involve various policy trade-offs," said one Labour figure.

Colleagues describe McSweeney as a figure who is prepared to listen to others and learn from their expertise — although he has become increasingly "more assertive" in meetings. But despite his ruthless approach to politics, McSweeney is kind to staff, according to one Labour figure. "He has this image as an evil genius but he's incredibly nice to people he works with."

Sue Gray, Starmer's chief of staff, will hold the reins inside a Labour government if the party wins the election — leaving McSweeney to focus on long-term political strategy.

He tries to ignore political froth and focus instead on the needs and interests of voters — an approach reminiscent of Dominic Cummings, the mercurial former Tory strategist.

"His strength is that he understands the contours and mental make-up of the Labour party but he also understands voters," said one ally. "He believes that politicians should be vehicles to represent people rather than just handing out answers from above."

Robert Shrimley page 21

Poll predictions

Knife-edge seats threaten to tip defeat into Tory rout

JONATHAN VINCENT

Polls show that the Conservatives are heading towards electoral defeat today — but the scale of the potential rout remains unclear.

Historically, there have been only a few genuine election battlegrounds. But the nationwide collapse of the once-solid Conservative vote means there are now about 120 seats where the margin of victory is expected to be fewer than 5 percentage points, according to the Financial Times' projection model.

Some 102 such contests involve Tory candidates, meaning the party's electoral fortunes will be shaped by a relative handful of voters spread across the country. Depending on how these knife-edge seats vote, the Conservatives could win as many as 146 seats in parliament — or as few as 44.

With so many tight contests, a small change in turnout or a last-minute shift in public opinion in either direction could tip the balance.

"There's many more battleground seats than there usually are," said Damian Lyons Lowe, chief executive of Survation, a pollster. "We've got battleground seats all over the map: there are super-safe Conservative seats that are now three-way marginals between the Conservatives, Labour and Reform."

In older, Brexit-backing areas that came out heavily for Boris Johnson in 2019, Tory support has bled away to Nigel Farage's populist Reform UK party, putting Labour in potential range of victory even if its vote share barely increases.

Seats such as Basildon and Billericay, where the Conservatives won 66 per cent of the vote at the last election, might now become three-way contests.

Tory party chair Richard Holden, who was controversially parachuted into the constituency, is forecast to lose the seat to either Labour or Reform in seven of the 13 projection models analysed by the FT.

The sheer variation of possibilities is shown by the divergence in pollsters' forecasts. In total, the Conservatives are forecast to win anywhere between 53 and 155 seats by the differing projection models, which consist of both large-scale multilevel regression and post-stratification polls as well as other approaches.

Much of this variation between models is driven by the share of the national vote the Conservatives are expected to win. While the party is averaging about 20 per cent in the FT's poll tracker, individual polls vary anywhere from 18 per cent to 24 per cent.

The Tories' greatest electoral hope is that the polling industry is systematically underestimating them — as it did in 1992 when the party performed about 5 percentage points better than the pre-election polling average and handed Sir John Major another full term in office.

But even a 1992-level polling miss based on current support levels would net them only about 170 seats, far short of the 325 needed to win a majority.

Online campaign

Conservatives pour cash into social media ads in final days

LUCY FISHER AND PETER ANDRINGA

The Conservatives have massively ramped up spending on social media advertising in the final week before polling day in an eleventh-hour boost to their online campaign.

Rishi Sunak's party appears to have held back money to flood social media platforms Facebook and Instagram immediately before voters head to the polls today.

Having spent an average of £37,000 a day across party and candidate accounts since the election was called, its spending rose above £96,000 on Meta platforms on Sunday June 30.

This figure matches the party's previous high on May 29, a week after the poll date was announced and before the campaign spending caps took effect. The party spent £82,000 on Monday, while figures for Tuesday have yet to be released.

The Tories' daily ad spending has almost caught up to Labour in recent days, although the opposition party has spent £2.9mn, vastly more than the £1.7mn spent by the Tories over the six-week campaign.

The Conservatives have raised markedly lower sums during the early part of this campaign than in previous election cycles, which may explain the lower digital ad spending until the final week.

Labour's expenditure on Meta platforms has continued to rise throughout the campaign, though at a slower rate in

the final week than the Tories' accelerated spending.

The Conservative party ramped up spending in the final week of the 2019 campaign before defeating Jeremy Corbyn: Labour officials said they were blindsided in that election by the scale of the Tories' advertising spend in the final sprint.

Social media — where ads can be carefully targeted by age, sex and location — is now viewed as an increasingly crucial battleground in general elections. "Things have changed a lot in the last couple of elections," said one Tory official. "People are much more online than reading newspapers."

The ads in the Conservatives' final onslaught appear to target prospective Liberal Democrats and Reform UK voters in an attempt to minimise the party bleeding votes to smaller rivals.

Many of their ads also raise the spectre of a perpetual Labour government, warning the party would "rig the system" to remain in power by letting 16-year-olds vote. "Keir Starmer will tax you from cradle to grave," cautions one attack advert.

Clare O'Donoghue Velikić, who previously led a team at Facebook that handled UK political marketing, said it was a common trend in elections to see spending soar at the end of a campaign.

Research across a range of countries had suggested "some undecided voters don't make up their minds until the final 72 to 48 hours", she said.

O'Donoghue Velikić, who now runs the consultancy ODV Digital, added: "It's often because a last-minute donor has shown up with a bag of cash and said they want it spent. By the final week it's too late to spend money on printing and other stuff, so it gets funnelled into digital."

Suppressed donation levels may also have influenced the Tories' decision to be strategic about how it has spent money on advertising.

Official donation data disclosed last Friday showed that the party had raised roughly a tenth of the amount in the first three weeks of the 2024 campaign as it did over the same period during the previous election.



Tory spending rose above £96,000 on Meta platforms on Sunday June 30

Just £1.2mn was received by the Conservatives in large donations in the three weeks from May 30 when parliament was dissolved, far below the £12.2mn they had raised by the same point in 2019, according to the Electoral Commission.

Meanwhile Labour raised £8.6mn in cash and non-cash donations in the first three weeks of the campaign, more than it raised across the entirety of the six-week pre-poll periods of each of the past three general elections.

Reform has taken the lead among smaller parties, spending over £500,000 since its pages dramatically ramped up ad activity on June 17. The party experienced an inflow of large donations — raising nearly £1mn in the first three weeks of the campaign — following arch-Brexiter Nigel Farage's decision to stand in Clacton in Essex.

Nearly 70 per cent of that spending has been on Farage's own social media accounts, with relatively few ads run on the official party accounts or those of Richard Tice, its chair and former leader, who is also running to be an MP.

The SNP, Sinn Féin, and Plaid Cymru have spent almost nothing on Meta platforms since the election began, reflecting the parties' dire financial positions and limited geographical focus.

The Conservatives, Labour and Reform did not respond to requests for comment on their social media advertising strategies.

Additional reporting by Rafe Uddin

Media backing

The Sun joins most of national press in supporting Starmer

DANIEL THOMAS AND JIM PICKARD

The Sun is backing Labour in today's general election along with the majority of the UK's national newspapers — the first time the party has gained such wide media support since Sir Tony Blair two decades ago.

With Sir Keir Starmer widely expected to win today's election, The Sun urged its readers to vote Labour after backing the Conservatives since 2010. The outlet, owned by Rupert Murdoch's News UK, last endorsed Labour in 2005.

The Sun joined the Sunday Times, also owned by News UK, the Independent, the Economist, the Financial Times, the Guardian and the Mirror in their support for a change. The right-leaning Mail, Telegraph and Express titles stuck to their Tory allegiances with support for Rishi Sunak. The Times has yet to declare a position.

Polls have predicted a clear win for Labour, largely disagreeing only on the scale of the Tory loss.

Murdoch has always been "ruthlessly pragmatic," according to one former editor, flipping between winning sides. But the Sun's endorsement was still notable as Starmer was the director of public prosecutions during the phone hacking scandal against its owner News UK, establishing a historical animosity, according to media executives.

Lachlan Murdoch — who replaced his father Rupert as chair of News Corp last year — took a personal role in deciding to back Labour, according to a person close to the executive. He was in The Sun newsroom yesterday.

One editor said this election was unusually tricky given the weakness of the Tory party, Labour taking more of a centre ground position and the rise of Reform UK. "There are lots of negatives this time to endorsing one party in the way it will alienate people," they said.

Others said newspapers that backed the Tories risked upsetting their readership, with many Sun, Times, Mail and Telegraph readers expected to vote Labour or Reform.

"The papers have boxed themselves into a place where they would be out of tune with the rest of the country," said one. "But by suddenly backing Keir they do look insincere, if pragmatic."

However, media executives also say newspaper endorsements are no longer as important to politicians as they were.

National newspaper circulation has dropped by three-quarters since 1997, based on estimates from Enders, the media analysts.

Starmer acknowledged The Sun's support, saying it "shows just how much this is a changed party, back in the service of working people, and that is the change on offer [today] in this election".

INTERNATIONAL

Imports

Brussels eyes duties on Chinese online goods

EU attempts to halt surge in cheap and allegedly substandard items

ANDY BOUNDS AND PAOLA TAMMA — BRUSSELS

Brussels is drawing up plans to impose customs duties on cheap goods bought from Chinese online retailers, including Temu and Shein, in an effort to stem a surge in what the EU says are substandard items coming from China.

The European Commission will this month suggest scrapping a €150 threshold under which items can be bought duty free, three people briefed on the matter told the Financial Times. The main platforms being targeted were

China's online marketplaces Temu and AliExpress and clothing retailer Shein, one official said.

Last year 2.3bn items below the duty-free €150 threshold were imported into the EU, according to the commission. Ecommerce imports have more than doubled year on year, topping 350,000 items in April — or almost two deliveries per household, commission data shows.

China benefits from subsidised postage costs, meaning it is cost-effective to send cheap goods by air.

The provisions would apply to any online retailer shipping to EU customers directly from outside the bloc. US-based Amazon typically uses sellers based in Europe. Another possible measure would be to make it compulsory for large platforms to register for VAT pay-

ments online, no matter their value. Since 2021, packages sent to EU consumers have attracted VAT regardless of their value but they are duty free.

The options will be put forward in preparation for the new commission,

Dangerous products reported by EU countries rose more than 50% from 2022 to 2023

which takes office this year. It proposed scrapping the duty threshold last year but it could now seek to speed up its adoption to counter the surge of cheap imports, one EU official said.

However, another official cautioned

that getting EU countries to agree could be difficult, given that the new regime would increase the workload of already overstretched customs officials.

The number of dangerous products reported by EU countries rose more than 50 per cent from 2022 to 2023 to beyond 3,400. Cosmetics, toys, electrical appliances and clothes were among the products with the most safety issues.

The EU toy industry has accused Chinese retailers of shipping dangerous toys to Europe. Toy Industries of Europe, an industry group, said in February it bought 19 toys from Temu and found that none complied with EU standards, while 18 presented a real safety risk for children.

Temu said that "all 19 product listings are no longer available on our EU web-

site". It said "product safety is of paramount concern to us and we have strengthened the monitoring of this product group and its associated requirements".

Christel Delberghe of lobby group EuroCommerce said: "We want an EU level playing field in online retail for all players targeting EU-based consumers, no matter where they are established."

Temu said: "We are open to and supportive of any policy adjustments made by legislators that align with consumer interests" as long as the policies were fair. AliExpress said it was "working with the legislators" to "make sure we were, are and continuously will be in a compliant position in the EU market". Shein also said it was "fully supportive" of efforts to reform customs duties.

Technology

Berlin vetoes turbine unit sale to China over security concerns

SAM JONES — BERLIN

Germany has invoked national security concerns to block the sale of a gas turbine business to a Chinese company, in the latest western move to protect sensitive technologies from potential misuse in China.

The veto on the sale of MAN Energy Solutions' unit comes as Berlin tries to chart a more security-conscious path in its relations with China, its largest trading partner, despite mounting concerns about the competitiveness of the German economy and its flagging exports.

"We confirm that the federal government has decided not to approve the sale of our gas turbine business to CSIC Longjiang," said Augsburg-based MAN, which is part of Volkswagen. "We respect the government's decision."

CSIC Longjiang is a subsidiary of the China State Shipbuilding Corporation, which makes engines for Chinese warships.

Vice-chancellor and economy minister Robert Habeck welcomed the cabinet's decision to block the sale. It was important to protect "technologies relevant to public security", he said yesterday.

The trade-off between open markets and security has become a frequent point of division in Chancellor Olaf Scholz's fractious government, a coalition between his Social Democratic party, the Greens and the pro-market Free Democrats.

In 2022 the chancellor ignored ministerial objections to waive through the Chinese acquisition of a stake in one of Hamburg's biggest container facilities, citing the benefits to the local economy and Chinese investment potential in the port.

The decision triggered a fierce debate over Germany's security, as China has embraced a more authoritarian path and solidified its close relations with Russia even after the latter's invasion of Ukraine in February 2022.

Habeck and his fellow Green ministers have consistently argued for a more hawkish line on China, calling for tougher laws to regulate foreign investment in critical sectors.

The German government published a new "China Strategy" last August but tensions over relations with Beijing have continued.

German exports to China in May dropped 14 per cent, one of its biggest ever year-on-year declines. Both Habeck and Scholz have travelled to Beijing this year in a bid to assuage Chinese concerns that Germany is hostile to trade with the country.

MAN Energy Solutions said it would now pursue a "structured process" to redevelop its turbine business, which employs about 100 people at sites in Oberhausen, near Essen, and in Zurich, Switzerland.

The company had lobbied the government hard to waive through the sale, arguing that its turbine technology has no military applications.

The opinions of a series of independent academics were presented by the company to show the turbines — which are designed for use in pipelines and other industrial systems — would have very few, if any, applications in warships.

Public transport. Infrastructure

Germany sets out to fix failing railway system

Deutsche Bahn hopes huge renewal scheme can end years of delays and cancellations

GUY CHAZAN — FRANKFURT

Deutsche Bahn recently took journalists from Berlin to Frankfurt on a trip aimed at showcasing massive investment in Germany's rail network. Their train was 45 minutes late.

Such delays are now typical of a railway system that used to symbolise sleek, speedy efficiency and is now a byword for travel hell.

Fans converging on Germany for the Euro 2024 football championship have been shocked by how poor the DB system is. Last year, only two out of three long-distance trains arrived on time. Switzerland is thinking of excluding German trains from its network because they are often so late.

"The railways have become a national embarrassment," said Ulrich Lange, transport spokesman for the opposition Christian Democrats.

The press trip ended as badly as it began. On the way back, reporters were directed to take a local train to Frankfurt, which arrived 35-minutes late. Many missed their connections home.

"Of course, it sucks," said Wolfgang Weinhold, the DB executive in charge of infrastructure renewal, who attended the misbegotten trip. "But it also spurs us on to make things better."

The reason for the poor service is pro-se — wear and tear. Years of under-investment mean the equipment needed for a smooth rail service — signal boxes, overhead lines, crossings, switches and track — is in a terrible state.

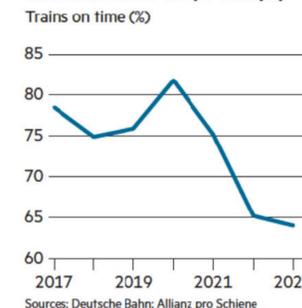
"For decades, we basically ran the system into the ground," Berthold Huber, head of infrastructure at DB, told the Financial Times. "And now we're at a tipping point."

The problems have been compounded by a leap in demand. More people are taking the train than ever before — helped by the success of the *Deutschlandticket*, introduced last year, which allows unlimited regional and local travel for €49 a month.

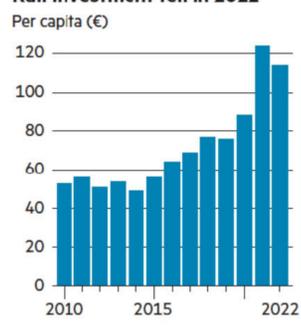
"We have a lot more rail traffic, which is exactly what we wanted," said Andreas Geissler of Allianz pro Schiene, a rail lobby group. "But that combined



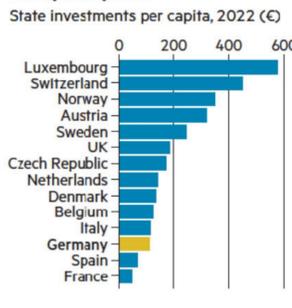
Punctuality of Germany's long-distance trains drops sharply



Rail investment fell in 2022



Rail spending lags behind most European peers



Unimpressed: England fans board a train before a Euro 2024 match in Gelsenkirchen. Fans attending the tournament have been shocked by the poor state of the rail network

Markus Schreiber/AP

with massive under-investment over many years has led to the crisis we're seeing now."

"The rail infrastructure is too old, too full and too prone to disruption," said Huber. "We're operating ever more trains on a system that hasn't kept up with our needs."

DB's solution is a huge modernisation programme. The only catch: some of the busiest lines will close for months to allow for upgrades. For hard-pressed customers, that means things will get worse before they start to get better.

"No one has experience of carrying out repairs on this kind of scale. It's uncharted territory," said Geissler.

DB's woes have their origins in the

1990s, when the government contemplated turning it into a global, partly privatised group along the lines of Deutsche Telekom and Deutsche Post. The company cut costs to make itself more palatable to investors, shutting unprofitable lines and reducing its track from about 40,000km to 34,000km.

"With the reform of Deutsche Bahn in the 1990s we were trying to create the most efficient railway system possible," Huber said. "But we removed too much infrastructure. With the efficiency drive, we went too far."

Germany now invests much less per capita in its rail infrastructure than most other countries — just €114 in 2022, compared with €450 in Switzer-

'We basically ran the system into the ground. And now we're at a tipping point'

Second-round vote

France's far right set to fall short of parliamentary majority

LEILA ABOUD — PARIS

The far-right Rassemblement National will fall short of winning an absolute majority in upcoming snap elections, according to a Harris Interactive poll that points to France returning a badly fractured National Assembly.

If the prediction for a hung parliament is confirmed by the second-round vote on Sunday, France will enter a period of turmoil with no single faction securing sufficient seats to form a government.

The Harris poll conducted for several French media organisations said that Marine Le Pen's RN and its allies would win 190 to 220 seats, which is far from the 289 needed for the far right to claim the premiership with a ruling majority.

The newly formed leftwing alliance, known as the Nouveau Front Populaire, is projected to come in second with 159 to 183 seats.

The ranks of MPs from Emmanuel Macron's centrist Ensemble alliance are expected to shrink by half or more to fewer than 135 seats — a symbol of how the president's decision to call the snap election has gone wrong.

Analysts have cautioned that it is dif-

icult to reach accurate seat projections at this stage. But if the RN did record such a weak result then it would be a sign that their opponents' strategy to band together to form a so-called *front republican* against them had paid off.

After last Sunday's first round vote, which the RN won by a wide margin, the centre and leftwing parties sealed agreements to tactically withdraw around 200 of their candidates in a co-ordinated attempt to keep Le Pen's camp

from taking power. With a narrower field in run-offs, leftist and centrist voters would be asked to hold their noses to vote for parties they do not usually support in a bid to reduce the size of the RN delegation to the next assembly.

The number of three-way run-offs has fallen from 306 to 89, according to data from the ministry of interior.

It remains to be seen if voters will follow the guidance of party chiefs. Turnout will again be a key factor, after par-

ticularly high participation in the first round. Some party officials fear turnout might be lower this time because of the summer holidays and a sense of frustration among voters if their preferred candidate was eliminated.

A key test for RN will be to mobilise its electorate if voters sense the grouping's chances of victory are receding.

Political gridlock and sluggish growth might dent France's long-term attractiveness to foreign investors, who hold around half the government debt of the second-largest country in the eurozone.

With the scenario of a National Assembly carved up into three blocs looking more likely, party chiefs have started sending signals about the possibility of working together.

Macron's Prime Minister Gabriel Attal has called for building what he called "a pluralistic assembly" of parties willing to co-operate on specific policies. Green leader Marine Tondelier opened the door to such a move but said it would be on the left's terms, not Macron or Attal's.

The Harris Interactive poll was conducted with a panel of around 3,400 people on July 2 and 3.

See FT Big Read and Markets



Marine Le Pen arrives at party HQ in Paris yesterday — Yoan Valat/EPA-EFE/Shutterstock

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INTERNATIONAL

Gaza's grocery stores battle to survive amid empty shelves and volatile prices

Wartime economy means even tinned peas are too expensive for most in north as starvation sets in

HEBA SALEH — CAIRO

Ramy al-Mutawaq was immensely proud of his well-stocked grocery shop in Jabalia, northern Gaza. Before the war, whenever he felt unhappy, he could lift his spirits by simply sweeping his eyes around its shelves stacked with merchandise.

"I always had between \$5,000 and \$6,000 of stock and every day I would bring in new supplies," Mutawaq said. "I had everything one could desire, all kinds of chocolate and instant coffee."

Now, like many other grocers and supermarkets in the bombed-out wastelands of northern Gaza, Mutawaq's shop is seldom open. There is almost nothing to sell — and after war laid waste to the strip and its economy, even tinned peas or beans are too expensive for most people. Starvation is setting in, and Mutawaq's ample stocks are just a memory.

As Israel pushes on with its offensive in the strip, the hostilities — along with restrictions imposed by Israel, the closure of the Rafah crossing with Egypt and looting by gangs inside the devastated territory — mean the flow of food and other humanitarian goods to the hungry, exhausted population has slowed to a trickle. International pressure on Israel to ensure greater aid provision has had limited effect.

Mutawaq has opened his shop only intermittently since the war began in October, sometimes just to sell soap and cleaning materials.

He said he got his merchandise from bigger traders, who often bought coupons from aid recipients entitled to humanitarian goods. Food looted from aid trucks also reaches the market, but recent weeks have been especially dire.

"There is no merchandise so for now I am closed and sitting at home," he said. "People can't afford food. They make do with anything — some instant coffee, or tea, or a bit of bread with thyme."

Price volatility in the closed wartime economy has meant that acquiring stock comes with significant risks.

"I cannot stock big quantities because prices keep on fluctuating," he said. "I can't get a whole 50kg sack of sugar, for instance, because the price per kilo could go down if aid agencies bring in sugar." Sugar was selling for \$20 a kilo, Mutawaq said, up from 53 cents before the war.

Mutawaq's three children survive on the same meagre diet that is barely keeping other Palestinians alive in Gaza's north. He and other parents feed their children vitamins from pharmacies that are still open, hoping to shore up their health. His eight-month-old has to make do with breadsticks or biscuits dipped in warm water.

Just over a fifth of Gaza's population, or 500,000 people, face the most severe, "catastrophic" level of hunger, in which "starvation, death, destitution and extremely acute malnutrition levels are evident", according to an assessment this month by the Integrated Food Security Phase Classification, an international hunger-monitoring mechanism.

More than half of households have had to exchange clothes for money to buy food, while a third resorted to picking up trash to sell, the organisation said. More than a fifth went entire



Struggling on: a market in Jabalia refugee camp, northern Gaza. Below, trucks loaded with aid arrive last month at the US-built floating pier on the coast

Mahmoud Issa/Anadolu/Getty Images; Leo Correa/AP

days and nights without eating. For part of April and May, when Israel allowed trucks of commercial goods into the north, fresh produce and many basic commodities reappeared. Mutawaq and other shopkeepers reopened their stores. But this ended when Israel's offensive in north Gaza resumed in May.

"We opened for about a month during that period," said Essam Aboul Hosna, owner of a shop on the outskirts of Jabalia. "We had rice, lentils and canned goods. Merchandise for the private sector was getting in. But it all suddenly disappeared."

He said wholesalers had run out of goods, while food "smuggled" from the south was too expensive: the consumer price of a kilo of tomatoes had

reached \$26 and green peppers \$64. "Neither merchant nor consumer can afford this," he said.

Flour from aid agencies has been the only thing standing between many people and starvation. "Here in the north we have eaten animal fodder made of maize and even soya, but now we have flour," Aboul Hosna said.

Gazans trying to secure food have been stymied not only by prohibitive prices but also an inability — even among those with bank accounts — to access cash.

Court official Majeda al-Adham, a mother of eight, has been unable to cash her salary, which is transferred to her account from the Palestinian Authority in the West Bank, since March. Bank branches have been bombed or robbed and most cash machines do not function. Al-Adham once had to pay a 25 per cent commission to an exchange bureau to get banknotes against a digital transfer from her account.

After repeatedly being forced to flee, al-Adham's family returned to Jabalia, to a house with windows and doors blown out by explosions that levelled much of the once-congested district.

Since then, she has been growing some courgettes and aubergines to feed the family. Sometimes they just eat tomato sauce or bread with thyme.

"What can we do, given how food is so expensive? We all help each other and some of us don't eat, so there will be enough for the children," she said. "You

'People can't afford food. They make do with anything — some instant coffee, or tea, or a bit of bread with thyme'

go to the shops, but there is nothing there. A can of peas costs Shk20 (\$5.30). I would need five cans to cook a meal for the children."

Taisir al-Tanna, a vascular surgeon at the al-Ahly hospital in Gaza City, lives in al-Tuffah, not far from Jabalia. He said the markets had no vegetables, fruits or meat, only tinned food. A rare carton of 30 eggs cost \$70 to \$80, he said.

"Food is very limited and when you eat you are never full. It is just something to keep you going," he said. "There is flour, however, at \$12 for a 25kg sack."

There is no fuel or cooking gas, so his wife and children burn firewood to bake bread. "It is as if we have been taken back 150 years," he said.

The World Food Programme said on June 25 it had reopened one of Jabalia's two bakeries, producing bread for 3,000 families. Matthew Hollingworth, the organisation's country director for Palestine, said in a video filmed at the bakery that while it helped achieve "some small levels of food security", it was still "essential for commercial fresh food to enter northern Gaza".

He said every child he met in Gaza was dreaming "of eating vegetables [and] meat [and] they're sick of eating aid [such as tinned food], even though it's keeping them alive. But it's barely a life."

Al-Mutawaq has given up on returning to his previous modest prosperity. "All our ambitions for the future have been dashed," he said. "There is nothing to be optimistic about."



Climate change

Hurricane Beryl ranked earliest category 5 storm on record

ATTRACTA MOONEY — LONDON

Hurricane Beryl became the earliest hurricane on record to be classified as a category five storm, meaning its winds and sea surges could prove catastrophic, as warming oceans fuelled destruction across the south-eastern Caribbean.

Forecasters expect it to bring "life-threatening" winds and storm surges to Jamaica before hitting the Cayman Islands. Mexico's meteorological service yesterday issued a hurricane warning for Yucatán peninsula coastline from Puerto Costa Maya to Cancún ahead of Beryl's expected arrival this week.

Beryl made landfall on Monday on Carriacou, an island that is part of Grenada, as well as hitting St Vincent and the Grenadines, causing widespread damage and several deaths.

Simon Stiell, head of the UN's climate change arm who is from Carriacou, said his homeland had been "hammered by Hurricane Beryl".

"It's clear that the climate crisis is pushing disasters to record-breaking new levels of destruction," he said, urging countries to set more ambitious plans to tackle global warming. "This is

not a tomorrow problem. This is happening right now in every economy, including the world's biggest — disasters on a scale that used to be the stuff of science fiction are becoming meteorological facts and the climate crisis is the chief culprit."

The US National Hurricane Center said winds had reached about 157mph at its peak, before weakening slightly to 145mph. The drop downgraded Beryl to a category four storm, which still ranks as a hurricane capable of causing "cata-

strophic" damage. "Some weakening is forecast during the next day or two. However, Beryl is forecast to be at or near major hurricane intensity while it passes near Jamaica . . . and the Cayman Islands," it said.

The Alliance of Small Island States, a group of about 40 low-lying countries threatened by rising seas across the Caribbean, Pacific, Africa, Indian Ocean and South China Sea, said the hurricane highlighted the urgent need for financial aid. While the "full extent of the

losses and damages are yet to be ascertained, lives have been lost, homes have been ground to nothing, shelter, security, memories, history — all gone," said Aosis chair Fatumanava-o-Upolu III Dr Pa'olelei Luteru.

In May, the US's National Oceanic and Atmospheric Administration warned there was an 85 per cent chance of an above average hurricane season in the Atlantic this year. The agency said it expected 17 to 25 named storms bearing winds of 39mph or higher this season. Between eight and 13 of those storms were forecast to become hurricanes with wind speeds of 74mph.

Noaa said the rise in storms was linked to a "confluence of factors" that favoured tropical storm formation, including record-breaking ocean temperatures, the expected shift to the naturally occurring La Niña weather phenomenon and reduced Atlantic trade winds that allowed hurricanes to grow in strength. Beryl is the second named Atlantic storm this season, following Alberto in June. It is forecast to move north-west across the south-west Gulf of Mexico by Saturday, further affecting communities in the region.

Insurers' wake-up call see Companies



Devastating floods hit the town of Cumanacoa, Venezuela — Samir Aponle/Reuters

Cost of living crisis

Turkish inflation rate eases to 71% as tightening bears fruit

ADAM SAMSON — ANKARA

Turkey's inflation rate has cooled for the first time in eight months, bolstering policymakers' hopes that a long-running cost of living crisis is easing a year after Ankara launched a sweeping economic turnaround plan.

Consumer prices increased 71.6 per cent in June from the same month in the previous year, a slower rate than expected and down from a nearly two-year high of 75.5 per cent in May, according to official data yesterday.

The decline in inflation is one of the strongest signs to date that Turkey's pivot away from unconventional monetary policy following President Recep Tayyip Erdoğan's re-election in May last year is starting to bear fruit.

The centrepiece of the new programme, which is slowly drawing back foreign investors, has been huge increases in borrowing costs. The central bank raised its main interest rate from 8.5 per cent in June last year to 50 per cent by March in an attempt to stamp out runaway price growth.

"The disinflation process has begun," said Mehmet Şimşek, finance minister. "We will ensure a permanent welfare increase by implementing our programme with determination until we reach price stability."

The monthly rate of inflation also fell sharply to 1.6 per cent in June from 3.4 per cent in May, according to data released yesterday by the Turkish Statistical Institute. Clothing and footwear and transport costs both fell last month from May, though housing prices continued rising sharply.

But several economists noted that there was a chasm between the official figures and another data set that measures prices in Istanbul, home to a fifth of the population. The Istanbul Chamber of Commerce (ITO) found prices rose at an annual rate of about 82 per cent in the city last month. Selva Demiralp, an economist at Istanbul's Koç University, said that when compared with the ITO figures, the national numbers were "surprisingly low".

There was also a risk of a fresh setback this month, when authorities were likely to raise prices under their control, such as electricity tariffs, said Hakan Kara, a former Turkish central bank chief economist.

Still, local and foreign economists broadly expect inflation to fall in the coming months, which could lead to rate cuts this year or early next. Local businesses expect consumer price growth to fall to 44 per cent by the end of this year, although they still forecast double-digit inflation five years from now, according to a central bank survey.

Other recent data have underscored expectations that the economic programme is slowly cooling the economy.

Sales of cars and light commercial vehicles fell 5.3 per cent last month on an annual basis, data from the Automotive Distributors and Mobility Association showed. Activity in the factory sector, meanwhile, shrank for the third straight month in June, with groups increasing prices at the slowest pace in four-and-a-half years, according to the Istanbul Chamber of Industry purchasing managers' index.

Religious gathering

India stampede death toll hits 120 as investigation begins

BENJAMIN PARKIN — NEW DELHI

The death toll in a stampede at a religious gathering in northern India on Tuesday rose above 120 yesterday, making it one of the deadliest incidents of its kind.

Local media reported that 121 people died at the event near a village in Hathras, a district in India's most populous state, Uttar Pradesh. Authorities said many thousands of devotees beyond the permitted amount had arrived to attend the event by Bhole Baba, a popular local Hindu preacher.

Officials said they expected the death toll to climb as more bodies were brought to hospitals. The stampede began as the event ended after attendees attempting to leave were suffocated.

According to the Associated Press, a makeshift tent put up for the event collapsed and local health clinics in the area were quickly overwhelmed by the number of dead and injured. Most of the victims were reportedly women.

Stampedes at religious gatherings are common in India, with authorities and

organisers often ill-prepared to deal with the vast crowds they attract.

More than 100 people died in a stampede during a Hindu festival in Madhya Pradesh in 2013, while more than 200 were killed at a gathering at a temple in Rajasthan in 2008.

Prime Minister Narendra Modi, whose Bharatiya Janata party last month won re-election for a third consecutive five-year term, was addressing parliament when the incident occurred. "I assure everyone the victims will be helped in every way possible," he said.

Yogi Adityanath, the chief minister of Uttar Pradesh and one of the BJP's most high-profile leaders, set up a committee to investigate the cause and said authorities would register a criminal complaint against the organisers. He also promised to compensate the families of the dead with Rs200,000 (\$2,400) each.

Akhilesh Yadav, a senior opposition party leader from Uttar Pradesh, attacked the BJP over the incident. "What was the government doing?" he said, arguing it was responsible for enforcing safety measures.

INTERNATIONAL

Young professionals

China demands loyalty from expats in US

Party members must study material from Beijing and take part in webinars

SUN YU — NEW YORK

China is demanding acts of loyalty from its young professionals working in the US, potentially putting them at odds with local law, as it seeks more control over expatriates amid rising tensions between the two countries.

The demands are being placed on nationals who joined the Communist party as students or young professionals before they left home in the hope of career advancement once they return.

By some estimates, at least 10,000 members of the party are studying or working in the US.

The directives have included participating in webinars, during which they are coached to promote China's image, paying dues to the party, studying political material sent from China and reassuring party officials on their loyalty, according to interviews and documents obtained by the Financial Times.

In interviews with 10 party members studying and working in the US, students said they had followed demands to speak positively of China, while employees said they had hidden links to the party when applying for US work visas, denying membership when asked.

Neil Thomas, a fellow at the Asia Society Policy Institute, said China's propaganda push and US laws against foreign influence might put party members in a legal conundrum, adding: "Communist party members must by party discipline follow orders from the central authority. But they may be banned by American laws from following those orders."

It is not illegal for Chinese immigrants to remain members of its Communist party but it can raise legal complications. US lawyers said the efforts might put party members in violation of the Foreign Agents Registration Act, which requires individuals to register with the Department of Justice as foreign agents if they are conducting publicity work

at the request of foreign governments.

The US state department said it conducted extensive security screening of visa applicants. The US Citizenship and Immigration Services said anyone who "has been a member of or affiliated with the Communist or any other totalitarian party or subdivision or affiliate thereof" was ineligible for a permanent residency green card.

China's embassy in Washington said: "China always believes that strengthening and facilitating people-to-people and cultural exchanges can add momentum to the growth of bilateral relations."

In 2019 the Chinese Communist party's central committee began requiring members studying abroad to "con-

tact" party cells at home at least once every six months. A year later, the Communist Youth League began asking its 74m members aged between 14 and 28 to "regularly report personal situations" while studying abroad.

In interviews, Chinese student party members in New York, Boston, California and Washington told the FT they followed the requests as they were keen to maintain their membership, which they saw as an asset for their career development. China's economic downturn has made state agencies and companies, known for their high employment security and preference for party members, a top destination for young job hunters.

Lenders cut China staffing page 8

Disputed reef

Beijing and Manila hold talks to defuse South China Sea tensions

DEMETRI SEVASTOPULO — WASHINGTON
KATHRIN HILLE — TAIPEI

Beijing and Manila have held talks to manage tensions over a South China Sea reef that has become the most dangerous flashpoint in the Indo-Pacific and that the US has warned is covered by its defence treaty with the Philippines.

Chinese and Philippine diplomats met in Manila on Tuesday to discuss the situation at the Second Thomas Shoal. In recent months, China's coastguard has used increasingly aggressive tactics to stop the Philippines from sending supplies to marines stationed on a ship called the Sierra Madre, which is marooned on the submerged reef.

The Philippines said the two sides had made "substantial progress" towards managing tensions but "significant differences" remained. It stressed it would be "relentless" in protecting its maritime rights. The meeting came two weeks after China blocked a resupply mission on June 17 with unprecedented violence, including ramming and boarding Philippine boats and threatening Filipino sailors with knives and axes.

The Philippine ambassador to the US has warned that the dispute has the potential to spark a wider conflict.

The Second Thomas Shoal lies inside the Philippines' exclusive economic zone. China claims sovereignty over the reef, although its claim was rejected by an international tribunal in 2016. Manila grounded the ship on the submerged reef in 1999 to reinforce its claims to the area.

Underscoring the tension, the US has repeatedly warned China that its mutual defence treaty with the Philippines applies to the Sierra Madre.

"The situation is serious," said one US official. "But the reasonably positive readout [from Manila about the talks] is an indication that both sides are being inventive in trying to take the temperature down and to come to some sort of common set of facts that will allow the Philippines to resupply indefinitely. This is a good first step, but I don't think anyone thinks the job is complete."

The US has been watching the situation closely, particularly because the marines on the ship have not received supplies in more than three weeks, meaning Manila will have to attempt another supply mission very soon.

Some South China Sea experts worry China has been emboldened by its recent success. Gregory Poling of the Center for Strategic and International Studies, a US think-tank, said the incident could lead to more tension and "potentially violence".

"The impunity with which China was able to use violence against Philippine troops will probably encourage it to use similar tactics again," Poling said. "It also reinforces Beijing's mistaken belief that the Philippines will ultimately buckle under pressure."

A Philippine official said no members of the National Security Council took part in the talks, unlike in previous rounds. "They may have purposefully excluded the participation of security sector agencies to take the temperature down," the official said.

China did not release information on the meeting, the first since both sides met in Shanghai in January.

US election. Candidate choice

Democratic convention faces Biden dilemma

If president pulls out of race and no consensus emerges, party gathering risks chaos

STEFF CHÁVEZ — WASHINGTON

Were Joe Biden to bow to intense pressure to drop out of the 2024 White House race, the question of who would take on Donald Trump in his place would probably be decided at a Democratic convention next month.

Democrats had hoped the event would be a moment to show unity behind their candidate. But after the US president's shaky performance in last week's TV debate, many in the party are calling on Biden to drop out months before election day in November.

The Democratic National Convention is in Chicago on August 19.

What is an open convention?

An "open convention" happens when there is no pre-determined nominee because no candidate has a clear majority of delegates. It means that, unusually, "the actual voting at the convention is going to matter", said Hans Noel, professor of government at Georgetown University.

By contrast, a "contested convention" refers to when a frontrunner is not guaranteed a first-ballot win and another candidate tries to peel delegates away for their own support before the initial voting round.

The last gruelling Democratic floor fight was in 1980, when Senator Ted Kennedy mounted a challenge to President Jimmy Carter.

A "brokered convention" was more common before the advent of the modern primary system, when the failure to nominate a candidate on the first ballot would lead to party power brokers presiding over smoke-filled backroom talks. The last brokered convention took place in 1952.

What might happen in Chicago?

There are 3,937 pledged delegates at the DNC, with 1,976 needed to win. Biden has 99 per cent of those pledged delegates. Were he to drop out, they would be free to vote for whichever candidate they wanted.

On the first ballot, "we would see if anybody gets a majority and then, if nobody gets a majority, there would be another round of voting", said Derek Muller, a professor at the University of



Joe and Jill Biden greet delegates to the 2020 convention, held remotely due to Covid — Olivier Douliery/AFP/Getty Images

Notre Dame Law School. After the first ballot, so-called superdelegates — more than 700 party figureheads including members of Congress, state governors and DNC officials — would start voting as well.

Delegates would keep voting on successive ballots until a candidate gained a majority and was declared the winner.

A big question would be "how that whole process of negotiating, and bargaining, and trying to bring together different factions of the party would play out unless there was some consensus that emerged before the convention about who the alternative candidate ought to be", said Richard Pildes, constitutional law professor at New York University School of Law. Should the party come to a consensus ahead of the convention, chaos would be avoided.

Who could become the nominee?

Given her status as Biden's running mate, vice-president Kamala Harris

would be a favourite, despite her low approval ratings.

"I would presume Vice-President Harris would receive the bulk of those votes but, maybe, not necessarily. And there might be others who throw their names into the ring," said Muller.

Other potential contenders include California governor Gavin Newsom, Michigan governor Gretchen Whitmer, Pennsylvania governor Josh Shapiro and Illinois governor JB Pritzker, along with other long-shots.

Harris would "start off, certainly, with a lot of political weight", said Pildes. "My speculation would be that major figures in the party would try to co-ordinate in advance of the convention on who the alternative might be."

Biden might endorse a candidate, which would carry significant political weight, especially among all of his pledged delegates, who by definition were chosen for their loyalty.

"I don't know if he would make an endorsement," said Noel. If Biden made a clear statement, his delegates might follow his cue. "But how much [weight] I don't know," Noel added. Biden's endorsement might not immediately

give a new candidate a majority of the delegates.

Would this be risky?

"I think it's really risky," said Noel. "[Biden] probably knows that there would be a lot of chaos... and so he doesn't want to invite that."

One of the biggest dangers of pushing Biden out is that the ensuing nomination battle would lay bare all the fractures within the Democratic party, particularly on topics such as US support for Israel in its war in Gaza. Biden and the rest of the party would need to weigh the risk of losing with a damaged nominee against turning off voters with convention mayhem. It would "be really ugly, right at the same time that you're trying to get everyone excited about building from the ground up".

There would also be a procedural wrinkle to sort out: right now, the official roll call — when state delegations announce their nominee selection — is scheduled to take place weeks before the DNC begins on August 19.

Party veterans still shudder at the memory of 1968, an infamous example of what can go wrong on the floor. Then-

president Lyndon B Johnson shocked the nation by dropping out of the race amid tanking popularity and opposition to the war in Vietnam. Robert F Kennedy, who hoped to be the nominee, was assassinated that June, leaving Hubert Humphrey to win the party's backing at a Chicago convention marred by protests over the war. Humphrey lost to Richard Nixon in the general election.

Could a coup topple Biden?

This is possible but extremely unlikely. Though delegates are pledged to vote for a candidate at the convention, "they're not actually bound by the party rules to do that", said Pildes. DNC rules simply state that delegates "shall in all good conscience reflect the sentiments of those who elected them".

If a lot of delegates bound together to switch from Biden, and "they all jumped, and they had the coup there, then everybody in the party would go along with it", Noel said.

"It's a strange thing to imagine that would happen", Noel added.

"I don't think it's likely that this is just going to happen because a handful of delegates oppose him," Muller said.

Chemical compound

Discovery boosts opioid overdose treatment

MICHAEL PEEL — LONDON
OLIVER BARNES — NEW YORK

Scientists have found a way to boost the effectiveness of the most popular opioid overdose treatment, raising hopes of reducing drug-related deaths that claim tens of thousands of lives every year in the US.

An international research team discovered a chemical compound that improves the potency of naloxone more than seven-fold, potentially allowing the antidote to be given in smaller doses.

Opioid addiction and its lethal consequences have become an intense focus of US politicians and health authorities, with more than 70,000 Americans dying annually for the past several years from overdoses. A surge in availability of powerful synthetic opioids such as fentanyl has exacerbated the crisis.

Naloxone is widely known under its brand name Narcan. The naloxone booster discovery, published in Nature yesterday, is part of a wider effort to use chemical means to tackle the destructive impact of opioids, said Professor Brian Kobilka, leader of the research.

"This approach will hopefully save lives but will not address the underlying problem of opioid addiction," said Kobilka, a joint winner of the 2012 Nobel Prize for chemistry. His laboratory is working on developing non-opioid painkillers, which remove the risk of addiction. Vertex Pharmaceuticals has a similar drug in late-stage trials.

'This approach will hopefully save lives but not address the underlying issue of opioid addiction'

Kobilka and other scientists from the US, Japan and Denmark screened a library of 4.5bn candidate chemical compounds until they found one called "368" that binds to opioid receptors sites. The 368 compound amplifies the ability of naloxone to block addictive opioids such as fentanyl and morphine, while minimising withdrawal symptoms.

While Kobilka stressed that the breakthrough was still in the "very early stages in the drug development pro-

cess", it raises the prospect of progress in dealing with the opioid addiction crisis in the US, Canada and elsewhere.

In a commentary also published in Nature, Catherine Cahill, a researcher at Los Angeles-based Jane & Terry Semel Institute for Neuroscience & Human Behavior, said it was an "important advance, opening up fresh avenues of investigation in the search for solutions to the opioid crisis".

Naloxone, one of two approved overdose reversal agents, is a key tool used by US health authorities for tackling the opioid epidemic. In California, the state government in April struck a deal with a manufacturer of a generic version to boost availability of free doses of the drugs. Last year Narcan, produced by Emergent Biosolutions, was approved by the Food and Drug Administration for sale over the counter. For several years, Emergent stymied an OTC version to keep profits high. The company, which generated nearly \$500m from Narcan sales last year, said "this early research appears promising and is important in advancing the science of naloxone to address the opioid crisis".

South-east Asia

Chinese coastguard seizes Taiwan fishing boat

KATHRIN HILLE — TAIPEI

China's coastguard has confiscated a Taiwanese fishing vessel near the Taipei-controlled island of Kinmen, according to Taiwan's government, in a sharp escalation of tensions.

Taiwan's coastguard said the captain of the Ta Chin Man 88 called for help late on Tuesday after the Chinese coastguard stopped and boarded his vessel for inspection while he was fishing north-east of Kinmen, located just off China's coast.

Taiwanese coastguard ships sent to provide emergency assistance to the fishing boat were blocked by Chinese coastguard vessels and told not to interfere. "In order not to escalate the conflict, the pursuit was aborted," Taiwan's coastguard said.

The Taiwanese fishing vessel, its captain and crew of five foreign workers were taken to the nearby Chinese port of Weitou, it added.

The Taiwan coastguard said the vessel had operated close to the Chinese coast during a ban on summer fishing imposed by Beijing.

The China Coast Guard said that its Fujian provincial branch had inspected and detained the Taiwanese vessel in accordance with the law because it had violated China's seasonal fishing ban and used prohibited trawling nets.

"Relevant Taiwanese ships tried to interfere with our normal law enforcement activity, and the Fujian Coast Guard warned them and drove them away," the force said.

The latest incident further undermines Taipei's ability to ensure maritime safety in waters around the Kin-



The island of Kinmen, just off China, is controlled by Taipei

men islands, which it has controlled since its Republic of China government fled to Taiwan following its defeat in the Chinese civil war in 1949.

It could also stoke fears more broadly over potential Chinese interference with shipping around Taiwan itself.

China claims that Taiwan is part of its territory and has threatened to attack if Taipei refuses to submit to its control indefinitely. Beijing has raised the pressure on Taiwan with military exercises close to its borders.

Taipei also fears that China will try to erode its sovereignty by undermining its understood jurisdiction at sea. After two Chinese fishermen drowned during pursuit by Taiwan coastguard ships as they fished illegally off Kinmen in February, Chinese forces boarded and inspected a Taiwan tourist boat nearby.

Since then, Chinese coastguard vessels have begun regularly patrolling waters around the islands declared off-limits by Taipei — a ban China previously respected. "They are now sailing in the restricted waters around Kinmen almost every day," a Taiwanese national security official said.

Companies & Markets

Hurricane Beryl seen as wake-up call for insurers

- Alert sounds over outlook for losses
- Scale of storm takes toll on shares

IAN SMITH — LONDON

Insurers are bracing themselves for large losses from the Atlantic hurricane season as record-breaking Hurricane Beryl fuels fears that warming oceans will lead to more destructive storms.

Beryl, which was expected to hit Jamaica yesterday, became the first Atlantic hurricane this early in the year to develop into a category five storm, the most severe.

Its magnitude and arrival so early in the region's hurricane season, which starts in June, peaks in August and Sep-

A 'remarkable, concerning and ominous start' to the Atlantic season

Steve Bowen, Gallagher Re

tember and runs to November, has hit shares of some insurers and reinsurers.

"It's being felt that we are overdue for a bad season," Stephen Catlin, executive chair at insurer Convex, said. "Having an early hurricane of this magnitude suggests that might be the case."

A variety of factors contribute to the intensity of hurricanes, but climate scientists have highlighted the effects of warming oceans and rising sea levels. The head of the UN's climate arm said that climate change was "pushing disaster to record-breaking new levels of destruction".

Meteorologists at AccuWeather said the storm could bring "significant flooding, coastal inundation, and wind damage" to Jamaica, after it caused widespread damage in Grenada and St Vincent and the Grenadines, and left several people dead.

The insurance industry was already expecting a busier hurricane season after a quieter 2023. In May, the US National Oceanic and Atmospheric

Administration warned that there was an 85 per cent higher chance of an above-average Atlantic hurricane season, citing factors including warmer oceans.

Steve Bowen, chief science officer at reinsurance broker Gallagher Re, said it was a "remarkable, concerning and ominous start" to the Atlantic hurricane season and should be a "massive wake-up call" on the outlook for losses.

Bowen said we were seeing the results of ocean waters that were "as warm in June as they typically should be in September", which for storms provided "proverbial rocket fuel".

While any financial losses from Beryl's impact on Jamaica are expected to be manageable, executives said the storm's future path remained unclear. It has since been downgraded to a category four storm.

"It could continue west into Mexico, or curve into the Gulf and then on to the US," said analysts at Twelve Capital.

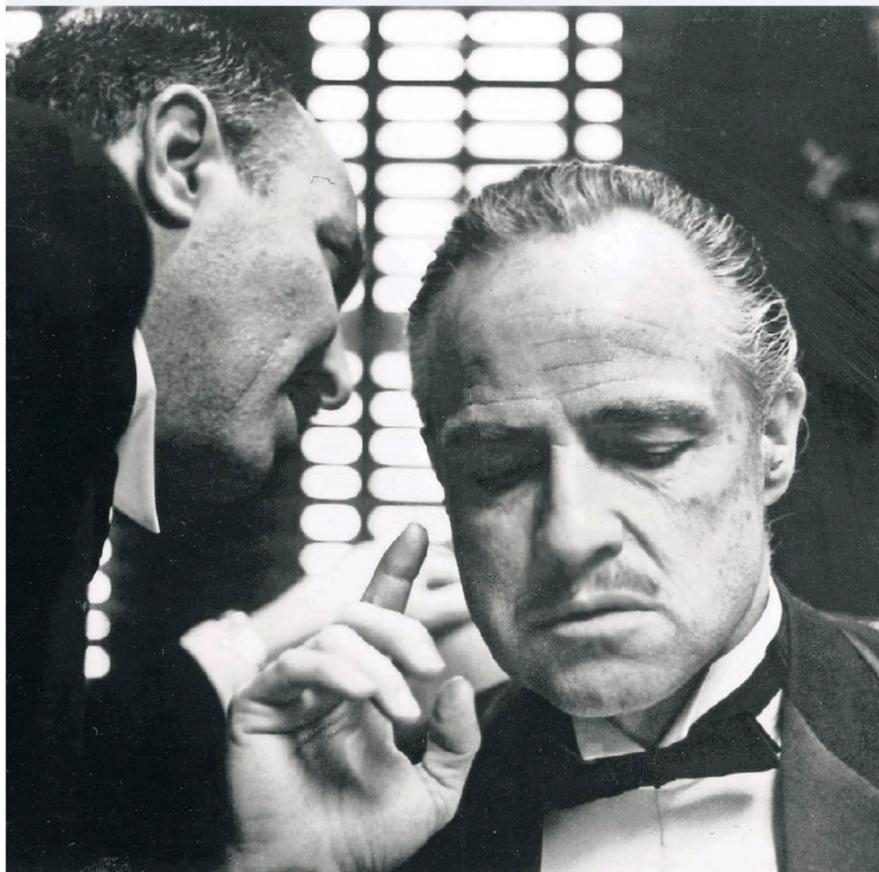
Hurricane Harvey in 2017, one of the costliest US storms, struck the Caribbean before heading into the Gulf of Mexico and making landfall at Texas.

It is too early for reliable estimates of insurance claims, but attention is focused on the Caribbean public-backed risk pools and catastrophe bonds. Last month, the World Bank renewed its \$150mn catastrophe bond covering Jamaica against big named storms, which if triggered would mean some losses for investors.

How the Atlantic hurricane season unfolds will be critical to prices in the global property reinsurance market, which property insurers use to lay off their risks. Prices have surged in recent years.

Robert Muir-Wood, chief research officer for insurance at Moody's, said that there was "every indication this is an intense hurricane season likely to break more records".

Family fortunes Sweetened Skydance offer tempts Paramount back into merger talks



Shari Redstone controls Paramount, which is behind films such as 'The Godfather' — HA/THA/Shutterstock

JAMES FONTANELLA-KHAN AND ANNA NICOLAOU — NEW YORK
CHRISTOPHER GRIMES — LOS ANGELES

Paramount has resumed merger talks with independent production studio Skydance Media just weeks after an earlier deal fell apart at the last minute, people briefed about the matter said.

The renewed bid from Skydance included a higher offer to get the deal done, the people said. Shari Redstone, who controls Paramount, abruptly ended negotiations in the first go-around last month.

David Ellison, the head of Skydance and son of Oracle's billionaire founder Larry Ellison, managed to bring Redstone back to the negotiating table after agreeing to sweeten the deal for the company behind films such as *The Godfather*, *Titanic* and *Forrest Gump*, the sources added.

Paramount's special committee, a

subcommittee of its board of directors, which had indicated that it was prepared to approve the earlier Skydance deal before it was blocked by Redstone, had been charged with evaluating the new offer, people said.

Redstone controls Paramount via her family's National Amusements (NAI), which owns only about 10 per cent of the Hollywood group but holds the majority of its voting rights.

There was no certainty that a new deal would be reached and Paramount shareholders had a 45-day "go shop" right to seek a higher offer from other potential suitors, the people with knowledge of the matter said.

Barry Diller, the New York media mogul who lost out to Redstone's father, Sumner Redstone, in the 1990s in a hotly contested bidding war for Paramount, had also been looking into buying a controlling stake in the Hollywood company, the people said.

The New York Times first reported

the renewed talks between Skydance and Paramount as well as the potential interest by Diller.

Skydance was close to reaching a deal last month after it had agreed to offer about \$2bn to acquire Redstone's NAI, and then merge Paramount into Skydance through a stock deal.

As part of that offer, Skydance had also agreed to buy out about half of Paramount's common shareholders at \$15 a share, while also paying about \$1.5bn to help cut the company's debt.

Skydance was given informal approval by the special committee for the deal and was ready to finalise it, but the talks came to an abrupt end when Redstone's lawyer informed Ellison's team that they had "not been able to reach mutually acceptable terms".

Skydance declined to comment. Paramount did not return calls for comment.

Apple boosts OpenAI ties with observer role on board

TABBY KINDER — SAN FRANCISCO

Apple is set to take an observer role on the board of OpenAI, giving the iPhone maker similar insight into the artificial intelligence start-up as Microsoft, its biggest backer.

The board role was agreed as part of a deal between Apple and OpenAI, announced last month, to integrate ChatGPT into Apple devices.

Tim Cook, Apple chief executive, said the partnership would be part of a suite of AI features for users, such as an enhanced Siri voice assistant, as it took the "next big step" to incorporate the technology into its products.

Phil Schiller, head of Apple's App Store and a member of its executive team since 1997, will take on the observer role later this year, said a person with knowledge of the matter.

The news was first reported by Bloomberg. OpenAI and Apple declined to comment.

The observer position means Schiller can attend OpenAI board meetings, although he cannot vote on any decisions. It puts Apple on a par with Microsoft, which also gained a non-voting observer role last year.

Microsoft has invested about \$13bn in OpenAI as part of a strategic partnership that allows the ChatGPT maker to use Microsoft's computing and cloud resources while remaining an independent business.

Microsoft is entitled to about half of OpenAI profits until the investment is repaid, according to the terms of the deal.

OpenAI revamped its board in March, with Sam Altman, the start-up's founder and chief executive, rejoining after his ousting last November.

It added three new board members in Instacart chief executive Fidji Simo, former Bill & Melinda Gates Foundation head Sue Desmond-Hellman, and ex-president of Sony Entertainment Nicole Seligman. Former US Treasury secretary Larry Summers was appointed to the board late last year, and a member of the previous board, Quora chief executive Adam D'Angelo, also remains in place.

Apple will not pay OpenAI to use ChatGPT but the deal will give the start-up access to hundreds of millions of users. The launch of Apple's suite of generative AI features, dubbed "Apple Intelligence", is expected later this year. *Additional reporting by Michael Acton*

Court case will put McKinsey's partnership doctrine to the test

INSIDE BUSINESS

FINANCE

Stephen Foley



ration a partnership's fiduciary responsibility to and between its partners, according to a lawsuit filed by Arnab Ghatak, a former senior partner in McKinsey's healthcare practice. Ghatak was fired on the eve of McKinsey's \$574mn legal settlement with US states, which had claimed the firm's advice to opioids manufacturers contributed to an epidemic of addiction. He was fired after having "communicated about document deletion", McKinsey said, referring to emails that caused embarrassment when they became public.

Ghatak, a trained physician who says he worked specifically on projects aimed at promoting addiction-resistant opioids, claims he never deleted any papers and the firm is defaming him by implying he did. He also claims that it breached a partnership's fiduciary duty by conducting a sham disciplinary process designed to use him as a scapegoat.

McKinsey said when the lawsuit was filed that it stood by its decision to fire Ghatak and its statements about him — but did not initially comment on the partnership question. The firm's formal legal arguments, filed last week, will be of interest to partners: as a corporation, it does not have a fiduciary duty to them, McKinsey claimed.

"I'm sure they would prefer to avoid having to address the issue," said Dan Kaiser, Ghatak's lawyer. "To take the position in open court that they are not a partnership might irritate their partners, who say they are a partnership and believe they have fiduciary duties to each other. Not to mention the marketing issues it might cause."

The past two leadership elections

already revealed consternation among McKinsey's 750 senior partners at how Sneader and his successor Bob Sternfels introduced more corporate-style decision making, responding to opioid settlements and other reputational crises by installing more central oversight and controls. Sternfels won a second term in February by the narrowest of margins.

His supporters say McKinsey needs to modernise decision making because it has doubled in size in the past decade by revenues. A governance review, just launched, has put longer leadership terms and changes to election rules on the table. In a first step, the firm has made its "shareholders' council" of prominent partners more like a traditional corporate board, separate from management and charged with overseeing executives. Other tweaks are under consideration. If it is anything like the last governance review a decade ago, it could be fractious.

What it is not likely to be is radical, at least this time. Most in the current generation of leaders are unlikely to countenance tearing up the partnership system, even if some partners do privately wonder about the future. McKinsey has grown into an organisation of 46,000 people in 65 countries with businesses far beyond its historic core of strategy consulting. If McKinsey needs more traditional corporate decision making as a result, and if it starts to feel more like a corporation, why not go the whole way by selling a stake to private equity or floating on the stock market?

Another firm once laid claim to the title of "world's leading partnership" — Goldman Sachs. It just celebrated its 25th anniversary as a public company. Who would take bets on McKinsey still operating as a partnership in 25 years?

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Indonesia's \$1.1bn battery plant opens

Hyundai and LG launch facility as country seeks to build EV ecosystem

A. ANANTHA LAKSHMI AND
DIANA MARISKA — JAKARTA

Hyundai and LG Energy Solution have opened a \$1.1bn battery cell plant in Indonesia as the country works to build an electric vehicle ecosystem.

The launch of its first battery plant yesterday is part of Indonesia's push to move up the EV supply chain. Indonesia has the largest reserves of nickel, a vital component in EV batteries and steel-making.

Jakarta has stepped up efforts to bring in investments for nickel processing and battery and car manufacturing. China's BYD and Vietnam's VinFast said this year that they would begin making EVs in Indonesia.

Hyundai and LG launched the factory in Karawang. It will have annual production capacity of 10 gigawatt hours.

"We have an abundance of natural resources but for decades we only exported them as raw materials with no added value," Joko Widodo, president, said at the launch. "Now with the construction of smelters and the EV battery cell factory, we will become an important global player in the EV global supply chain."

Hyundai and LG would invest Rp160tn (\$9.8bn) in Indonesia's EV ecosystem in stages, he said.

Investment minister Bahlil Lahadalia said the companies would begin constructing the second phase of the battery cell factory, which will have an annual production capacity of 20 gigawatt hours, with an investment of \$2bn.

The battery cells from the plant will be used in Hyundai and Kia models. Officials have said that about 90 per cent of the factory's products will be exported to South Korea and India. The two groups have a 50-50 stake in the project, announced in 2021. Hyundai has a car plant in Indonesia, with a capacity of 250,000 units per year.

"Mineral resources in this country, such as iron and nickel, are key components for batteries that will mobilise millions of EVs all over the world," said Chung Eui-sun, executive chair of Hyundai.

Widodo's ban on nickel ore exports in 2020 forced foreign companies to invest onshore. The bulk of that investment has come from Chinese companies into the nickel processing sector.

But Indonesia has been offering incentives such as tax breaks to draw nickel and EV-related investment.

Hyundai said in 2021 that Jakarta had agreed "to offer various incentives and rewards to support the stable operation" of its battery cell plant.

Since Hyundai and LG Energy first announced that they were going to open a battery cell plant in Indonesia, demand for EVs has slowed. Still, analysts said the country would benefit from the global transition to cleaner transport.

China's CATL, the biggest EV battery manufacturer, had started building a battery plant in the country, Indonesian officials said.

"Indonesia is at the very early stage of EV manufacturing and stands to benefit from incremental gains over the long term, regardless of whether EV moves in the fast or slow lane," said Kai Wei Ang, Association of Southeast Asian Nations economist at BofA Securities.

Pharmaceuticals

Eli Lilly wins US approval for early-stage Alzheimer's treatment

OLIVER BARNES — BOSTON

Eli Lilly is gearing up to launch its Alzheimer's drug for use in early-stage patients after receiving US approval. The drugmaker plans to offer the medicine at a steep premium to a competitor, claiming it is more efficient.

The drug — to be sold under the brand name Kisunla — will enter the US market a year after the launch of the first fully approved medicine to treat the neurodegenerative disease, developed jointly by pharmaceutical groups Biogen and Eisai.

The drug slows the development of Alzheimer's, which causes memory loss, dementia and other cognitive impairment. An estimated 7mn patients suffer from Alzheimer's in the US. More than 1mn early-stage patients will be eligible for Eli Lilly's drug.

Kisunla, known scientifically as donanemab, will be sold at a list price of \$32,000 per year of treatment, 20 per cent higher than the \$26,500 annual cost of the rival treatment, Leqembi.

In an interview, Anne White, president of Eli Lilly's neuroscience division, defended the higher price, saying the treatment was less costly to health systems as it typically requires fewer infusions than Leqembi.

Both treatments work by targeting

"There are no head-to-head studies; therefore, we cannot make comparisons between therapies"

amyloid plaque, a protein that builds up in the brain of Alzheimer's patients.

But Eli Lilly's medicine requires less frequent infusions than Leqembi, which frees up capacity, and patients can come off it after clearing amyloid, allowing them "to stop and not continue to pay drug costs", White said.

In response, an Eisai representative said: "There are no head-to-head studies; therefore, we cannot make comparisons between therapies," and added that multiple factors inform a doctor's decision about which drug to prescribe.

Kisunla slowed cognitive decline by 35 per cent in phase 3 trials. Nearly half of patients on the trial cleared amyloid after a year, allowing them to come off the treatment (the cognitive damage linked to amyloid still remains, however).

Some analysts have become bearish about the success of Kisunla, warning doctors may be less likely to prescribe the medicine because of a higher incidence of rare side-effects, including brain swelling, compared with Leqembi, and that the drug could be eclipsed by a more convenient, subcutaneous version of Leqembi expected to launch next year.

Leerink analysts earlier this month cut their 2030 sales forecasts for Kisunla to \$500mn, suggesting it may fall short of so-called "blockbuster" status of \$1bn and well below analysts' consensus estimates of \$3.7bn for 2030.

The Food and Drug Administration delayed an approval decision for the medicine earlier this year, calling in a panel of outside experts to review the drug.

Nonetheless, Eli Lilly's market value of more than \$850bn remains near all-time highs, propelled by a huge windfall from a new class of diabetes and weight-loss drugs Mounjaro and Zepbound.

Financials. Civil case

Former Wirecard CFO denies 'inner circle' claim

Ley makes first public remarks since collapse four years ago of German payments processor

DAN MCCRUM — LONDON

Wirecard's former chief financial officer Burkhard Ley has denied remaining a part of the German payment group's inner circle after he retired in 2017, in his first public remarks since the business collapsed four years ago.

Appearing at London's High Court as a witness in a civil case brought by Wirecard's insolvency administrator, Ley was cross-examined for two days about his credibility, responsibilities, memory of events and apparent contradictions in his evidence.

Ley, who denies criminal fraud charges brought against him in Germany for his alleged role in the theft of billions of euros from investors and banks by Wirecard, appeared as a witness for the administrator, which claims the company was itself defrauded of £12mn by Greybull Capital.

The case against Greybull centres on allegations that it misrepresented a 2016 recapitalisation of Monarch Airlines with support from manufacturer Boeing as substantial new investment. Greybull had bought the airline two years previously.

Wirecard was the credit card processor for Monarch. When the airline collapsed in 2017, it was liable for refunds to consumers with booked flights. The case is one of several lawsuits brought by Wirecard's insolvency administrator Michael Jaffé.

John Wardell, KC, for the defence, questioned Ley about his credibility, citing a German parliamentary report on Wirecard in which former employees described him as part of the group's "inner circle", retaining influence after he formally retired. Ley had assumed the CFO role in 2006.

Ley maintains that after he retired from Wirecard, he was a "consultant" dealing only with selected contracts, strategic questions such as "entering the Chinese market", and "conversations with political decision makers internally and abroad".

In the civil case against Greybull, Ley testified that a 2016 meeting with Greybull founder Marc Meyohas "was of decisive importance" to the terms extended to Monarch, causing Wirecard to take on more financial risk than it otherwise would.

He alleged that Greybull characterised funds raised from Boeing as being



Wirecard's administrator brought in Burkhard Ley, below, as a witness in its case against Greybull Capital
Roland Krivec/DeFodi/Getty, Charlie Bibby/FT



from a "family investment pool", implying a greater commitment to support the airline.

Ley spoke in German with simultaneous translation. Wardell challenged Ley's "narrative" of events in 2016 as "completely inconsistent with what happened and completely inconsistent with your state of mind at the time".

Much of Wardell's cross-examination focused on Wirecard loans he said were approved by Ley. "My purpose is to demonstrate that you approved these

without conducting any due diligence," Wardell said, contrasting this to the careful approach to financial risk Ley claimed in relation to Monarch.

He asked Ley about loans made by Wirecard to businesses controlled by James Henry O'Sullivan, an alleged key conspirator in the fraud.

Ley said he "did not ride roughshod" over internal concerns about one of the loans after meeting O'Sullivan in Singapore, and that Wirecard had "used internal and external experts" in its lending decision.

From 2016 onwards, Wirecard's fraud centred on allegedly fictitious revenue attributed to three partner companies, one of which was controlled by O'Sullivan. Wirecard collapsed in 2020 when it was revealed €1.9bn of cash related to these partner businesses did not exist.

Ley said: "I was not involved in the creation or accepting of these balances." He added that while he was CFO, the cash balances associated with those partners were "between €200mn and €300mn".

A report on the mechanics of the fraud prepared by the administrator bringing the civil case found no evidence of the IT services that Wirecard

was supposed to have provided to its partners. Asked about this, Ley said that arrangement was only from 2018 onwards, after he retired.

"There was a completely different contractual co-operation" prior to his departure, he said, adding that "Wirecard's task was providing customers, not dabbling in IT services".

Tuesday's cross-examination focused on Ley's recollection of events before and after an October 2016 meeting at Wirecard's offices with Meyohas. In written evidence, Ley said he asked employees to invite Meyohas, because he "wanted assurances about the investment from Greybull" in Monarch.

Wardell presented emails showing Monarch had suggested Meyohas attend, and that the purpose of the meeting was not as Ley described: "I'm afraid I must suggest to you that you are making this up, Mr Ley." Ley insisted he had made the request, wanting to meet Meyohas because he "had the impression the [Monarch] executive board was not as strong as at other companies".

Wardell challenged Ley's 'narrative' as 'completely inconsistent with what happened' in 2016

Asked about an error in the first line of his witness statement, which incorrectly recorded his title at Wirecard, Ley initially blamed a translation error but then said he had not properly reviewed the initial paragraphs before signing it.

At times he appeared to contradict himself, saying he did not know O'Sullivan controlled a particular company, then later confirming he did.

Wardell concluded his cross-examination by asking if Ley was aware of a footnote in a Monarch presentation given at the contested meeting, which said "shareholders will secure the funding by monetising off-balance sheet assets".

The defence argues the existence of that footnote shows there was no intention to conceal. Ley said he had not been aware of the footnote.

Ley has always denied any involvement in the Wirecard fraud, insisting that he was not a trained accountant and relied on the expertise of law firms and other advisers.

In December, prosecutors in Munich charged him in with fraud, breach of trust, accounting and market manipulation.

The four-week civil trial in London is scheduled to conclude on July 18.

Financials

Western lenders cut China staffing after losing patience with weak deal flow

KAYE WIGGINS AND
CHENG LENG — HONG KONG
THOMAS HALE — SHANGHAI

Western financial institutions in China have cut their investment banking workforce by the most in years with a market slowdown having hit profits and halted years of expansion in the country.

The cuts in 2023 came as five of the seven Chinese securities units that are part of Wall Street and European banks made either a loss or reported tumbling profits, according to recently released annual reports. The seven units employed 1,781 people last year, a fall of 13 per cent from 2022.

China's capital markets activity has slowed in a weaker economy knocked by a prolonged property slowdown and fallout from tensions between Washington and Beijing.

"Western investment banks are

caught in a vicious cycle," said Han Lin, China country director at consultancy The Asia Group. "Weak deal flow means less investment in onshore capability, which limits further deal flow." Some banks were "running out of patience when the opportunities in India, southeast Asia and the US are looking more promising".

International financial groups have been able to take full control of their mainland securities houses since a wave of regulatory changes in 2020. The units represent a small part of profits at the banks, which declined to comment.

Banks eliminated more than 60,000 jobs worldwide in 2023, as a decline in dealmaking and public listings caused fees to plummet. The declines in China contrast with earlier hopes that their business in the country would continue to grow even if it slowed elsewhere.

Jamie Dimon, chief executive of JPMorgan, said in May that part of its

investment banking business in China had "fallen off a cliff".

Staff numbers had been rising almost constantly since 2018. Even in 2020, as Covid restrictions made hiring difficult, the headcount at the units fell by less than 3 per cent.

At the unit of Credit Suisse, which UBS took over after buying the bank last year, the number of employees fell 46

per cent to 126. UBS agreed to sell the operation to a state-backed fund this month. Staffing numbers at the mainland business of UBS held steady at 383, the only one not to reduce headcount last year.

Morgan Stanley's China arm recorded a loss for the first time since 2019, while at JPMorgan's venture in the country, profits fell 55 per cent to Rmb119mn

(\$16mn). Morgan Stanley's unit said in its annual report that the environment had been "challenging".

Staffing numbers fell far less at JPMorgan and Deutsche Bank than at rival China units. Deutsche only owns 33 per cent of Zhong De Securities, its mainland joint venture.

Goldman Sachs China, which last year separated from a venture partner, recovered from a loss-making 2022 but its profit of Rmb193mn was lower than in any other year since 2018.

The number of employees in its China securities unit fell from 500 to 370 as the bank cut jobs worldwide. Some employees had been moved to other units in the bank, while some stayed with its former joint venture partner Beijing Gao Hua Securities, a spokesperson said. Goldman Sachs previously outlined a plan to double its workforce in China to 600, the Financial Times reported in 2021.

Dealog data as of May showed just



Investment banks are said to be caught in a 'vicious cycle' as economic woes put the brakes on activity
Gilles Sabrie/Bloomberg

COMPANIES & MARKETS

Buyout group Blackstone snaps up 'circular' private equity credit risk

The transactions magnify exposure if an investor is unable or unwilling to fund their commitment

ORTENCA ALIAJ — LONDON
ANTOINE GARA AND ERIC PLATT
NEW YORK

Blackstone Group has become one of the biggest buyers of a type of bank loan that has become a lifeline for the private equity industry, exposing the company to risks generated by its own business.

The largest buyout group, which manages \$1tn in assets, has in the past year emerged as a big investor in risk transfer products that are underpinned by short-term loans used by private equity fund managers to close deals as they wait to receive cash from backers.

Because of its size, Blackstone has assumed risk on credit lines attached to its own buyout funds, though the firm said they only constituted a "single-digit percentage" of the portfolios on which it had exposure. Such transactions magnify the private equity group's exposure if an investor is unable or unwilling to fund their commitment.

"The unusual thing about Blackstone

The dealmaking shows how interconnected and intricate the private capital sector has become

is that it is a bit circular," said one large SRT investor. "They are providing protection on themselves."

The dealmaking underscores how intricate and interconnected the private capital industry has become and how new pockets of risk can build up in less regulated corners of the system.

Banks in Europe and the US have been finding investors willing to assume some of the default risk on their loan portfolio in significant risk transfer transactions. Such deals allow lenders to reduce the amount of capital they are required by regulators to hold and thereby boost returns.

Blackstone has become a large investor in SRTs underpinned by subscription lines, which are short-term loans used by private equity funds to close deals in advance of receiving cash from backers.

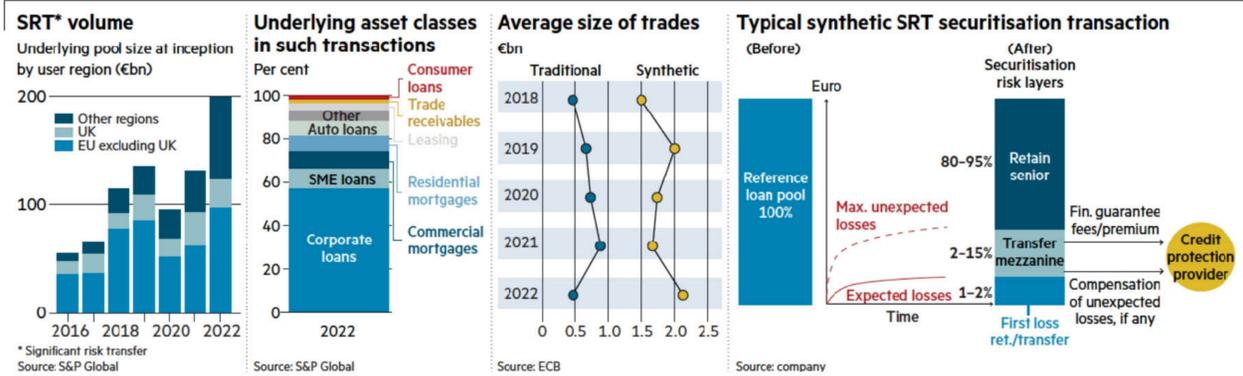
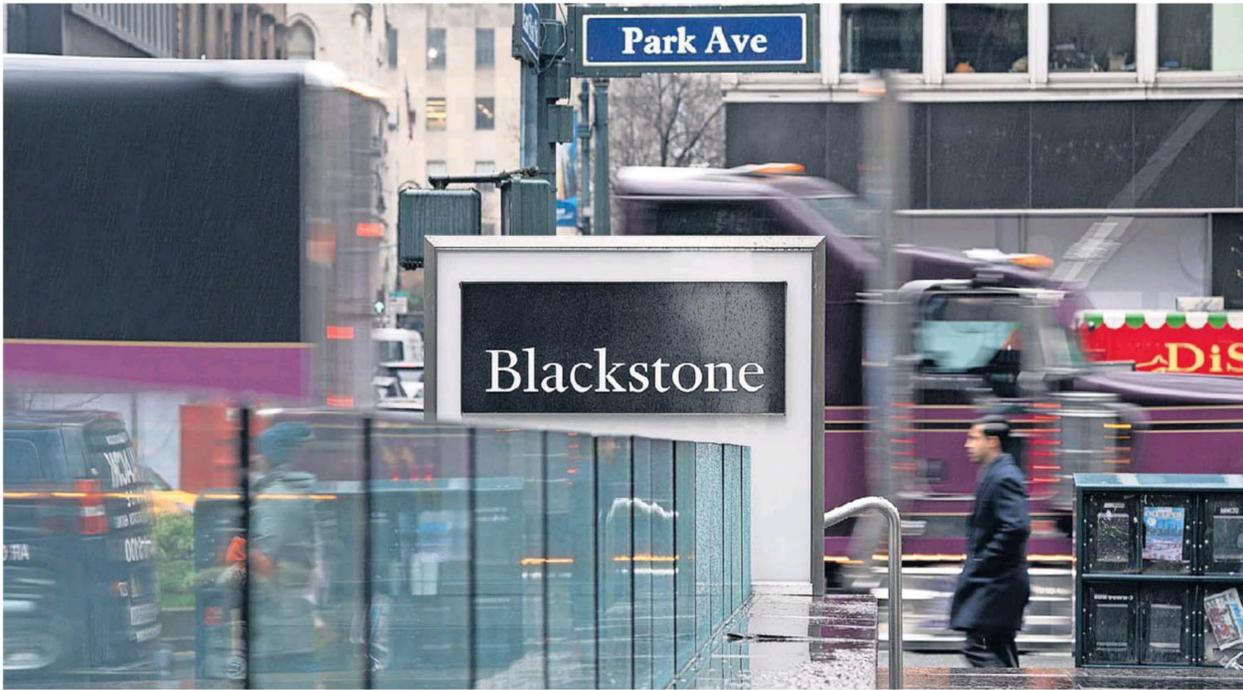
For some years private equity firms have funded corporate buyouts with debt provided by their own credit funds. The recent SRT transactions, which can themselves be part-funded with bank debt, come at a time of growing concern for regulators over lack of transparency in private markets.

Jonathan Gray, president of Blackstone, told investors in an April that the group was a "market leader" in SRTs. He highlighted subscription lines as an area of interest because they were considered to be safe assets. "The most active area has been subscription lines to date, which... have had virtually no defaults over the last 30, 40 years. So we like that area," he said.

Blackstone disputed the circular nature of the risk, saying its investors were "the ultimate risk counterparty the lender is exposed to". It noted that its investors had never missed a capital call in its 40-year existence.

The business said that its funds made up "a single-digit percentage of the portfolios on which we have provided SRTs" and all their subscription line SRTs "have been in highly diversified portfolios".

The Wall Street-listed group had been



Heavy traffic: Blackstone has assumed risk on credit lines attached to its own buyout funds, though the firm says they only constitute a 'single-digit percentage' of the portfolios on which it has exposure
Jeannah Moon/Bloomberg

buying the assets through its Blackstone Multi-Asset investment unit, which manages hedge fund-type investment strategies, according to people briefed on the matter.

Banks typically use SRTs to purchase protection against default on a pool of loans. This can either be done through a traditional cash transaction where assets are moved to a special-purpose investment vehicle that issues bonds, or through a derivative product while the lender keeps the assets on its balance sheet.

Asset managers and hedge funds, including \$244bn Dutch pension fund PGGM and New York-based firm D.E. Shaw, have also been among the largest buyers.

The market for these products first developed in Europe after the financial crisis as lenders were requested to meet more stringent regulatory capital requirements. US banks became more active last year, after the Federal Reserve gave a blanket green light to the capital relief deals.

The International Association of Credit Portfolio Managers estimates that there were 89 SRT transactions last year for loans worth €207bn. About 80 per cent were corporate loans, with the rest comprised of debt such as sub-

scription lines, car loans, and trade finance loans.

While credit facilities to private equity form a small part of the SRT market, they have become popular because they are considered relatively safe.

"The thing with subscription lines is that it's an asset class that has no loss historically," said Frank Benhamou, risk transfer portfolio manager at Cheyne Capital. "They tend to be tightly priced, so investors who engage in this trade often use a bit of leverage to enhance returns."

Through SRTs, Blackstone is exposed to the risk that large investors such as pensions and sovereign wealth funds refuse to meet the capital calls when the loans mature, typically within a year. An investor could run low on cash, or face complications such as sanctions or fraud. While no limited partners have ever defaulted on their obligations, including during the financial crisis, potential buyers have balked at the lower diversification of subscription lines compared with corporate loans.

"Though we accept that the credit risk is low for subscription lines, there's a risk we can't quantify and price," said one investor who has been in the SRT market for more than a decade. The pool of loans for subscription lines was

'They are providing protection on themselves'

This deal type 'gives us shivers'

smaller than more traditional asset classes, so the "idiosyncratic risk is the sensitivity of your return to one party... and there's higher risk of fraud which is difficult to price", they said, referring to the limited number of private equity funds to which they would be exposed.

Another SRT investor pointed out that in a typical subscription line transaction, there were somewhere between 10 and 30 funds, which created more concentrated risks.

The rise of these debt products has revived fears of unforeseen chains of events, with bank analysts and some policymakers debating whether the banks selling the SRTs had fully protected themselves.

In the April earnings call, Evercore ISI analyst Glenn Schorr asked Blackstone's Gray whether the explosion of SRTs carried hidden risks, like during the financial crisis.

This type of deal "gives us shivers", providing a reminder of "about 16 years ago", said Schorr, referring to off-balance-sheet entities banks used in the crisis era to relieve overburdened balance sheets.

Gray said the firm was doing the transactions in a "responsible way".
See Lex

Technology

Bezos to sell nearly \$5bn of Amazon shares after price surge

CAMILLA HODGSON — LONDON

Jeff Bezos has outlined plans to sell almost \$5bn worth of Amazon shares days after the technology giant's market value crossed the \$2tn mark, which would bring the total he has offloaded this year to more than \$13.4bn.

The expected sale of 25mn Amazon shares this month, worth \$4.9bn and disclosed in regulatory filings, comes after Bezos sold \$8.5bn worth of stock in February.

The billionaire stepped down as the company's chief executive in 2021 but remains its executive chair, as well as Amazon's biggest shareholder with a stake of about 9 per cent, according to S&P Capital IQ. Amazon last month joined the group of US tech companies whose market capitalisation has surpassed \$2tn, following rivals Microsoft and Google's parent Alphabet.

Shares in Amazon have risen by a third in the year, fuelled by investor excitement about the potential for artificial intelligence to catalyse growth in the company's cloud division. But its

Amazon last month joined the group of US tech companies whose market cap has surpassed \$2tn

market value trails that of chipmaker Nvidia, iPhone maker Apple and Microsoft, all of which have surpassed \$3tn.

Bezos founded Amazon in 1994 and what began as a bookselling company has since grown into a sprawling empire that spans ecommerce, cloud computing, video streaming, healthcare and more. He has focused his attention on other ventures since stepping back from running Amazon, including his space group Blue Origin and US newspaper The Washington Post, which he bought in 2013 for \$250mn.

The billionaire's reported recent relocation to Florida, which analysts have said is likely to save Bezos substantial sums in taxes, also appears to be part of a move to step further away from Silicon Valley and Seattle, Amazon's headquarters in the US state of Washington.

As well as offloading huge chunks of Amazon shares this year, Bezos has sold smaller amounts to finance charitable ventures. That included his sale in May of \$117mn worth of shares to fund Day 1 Academies, an educational Montessori-inspired non-profit that he founded, according to regulatory filings.

Amazon disclosed in February that Bezos intended to sell up to 50mn shares in the company via broker Morgan Stanley by the end of January 2025. That sale was completed that same month with the disposal of \$8.5bn worth of Amazon shares.

Amazon is in the middle of a leadership shake-up. The head of its cloud business was recently replaced by company veteran Matt Garman, who previously served as senior vice-president of sales, marketing and global services at Amazon Web Services.

Garman's predecessor, Adam Selipsky, has sold more than \$3mn worth of Amazon stock since April, according to regulatory filings.

Amazon declined to comment.
See Lex

Banks

JPMorgan strategist exits after mistimed calls

GEORGE STEER — LONDON
JOSHUA FRANKLIN — NEW YORK

Marko Kolanovic will leave his role as JPMorgan's chief global markets strategist, ending a 19-year stint that culminated in mistimed calls on the US stock market.

Kolanovic, also the bank's co-head of global research, was among the few bearish strategists left on Wall Street, having recently forecast that the S&P 500 would tumble by almost 25 per cent from current levels by year-end.

Once dubbed "the man who moves markets" by CNBC and "Gandalf" by Bloomberg, Kolanovic's star has fallen in recent years on contrarian and ultimately mistimed calls on the direction of the S&P 500.

Two years ago he advised clients to take an overweight position in US stocks during the deep market sell-off, before switching to recommending an underweight position in early 2023. The bank has stuck with that position since, despite the blue-chip index having surged more than 40 per cent.

Kolanovic — who graduated from

New York University with a PhD in theoretical high-energy physics and went on to work at Bear Stearns and Merrill Lynch before joining JPMorgan — will now be "exploring other opportunities", according to a person familiar with the situation. Kolanovic did not respond to a request for comment.

Hussein Malik will become sole head of global research, having previously been co-head of the department with Kolanovic, a spokesperson for the bank said.

Dubravko Lakos-Bujas, JPMorgan's chief global equity strategist, will now



Marko Kolanovic made contrarian S&P 500 predictions in recent years

lead markets strategy in a new role encompassing equities, cross-asset and macroeconomic research. Steve Dulake and Nick Rosato will co-lead "fundamental research", a newly branded team that brings credit and equity research under one leadership structure, the bank confirmed.

A JPMorgan biography shared with the Financial Times praised Kolanovic for his "timely and accurate short-term forecasts of stock market returns", noting he was inducted into the Institutional Investor Hall of Fame in 2020 "following 10 consecutive years of #1 rankings".

He and other JPMorgan strategists reiterated their bearish outlook in a note to clients last week, highlighting what they describe as an "awful" lack of breadth in the US stock market.

Despite their preference for high-quality, large-cap stocks, the team admitted they had "under-appreciated the resiliency of [the Magnificent Six] in terms of price momentum and earnings revisions", in a reference to the handful of stocks that have driven the vast majority of the S&P 500's recent gains.

Pharmaceuticals

GSK signs €1.4bn vaccine deal with CureVac

IAN JOHNSTON — PARIS

GSK has reached a licensing agreement with mRNA vaccine developer CureVac worth up to €1.4bn to develop its vaccines for flu, Covid-19 and avian flu.

The UK drugmaker has an existing collaboration with the German vaccine maker but it will pay €400mn to CureVac to take full control of developing vaccines under the agreement.

There could also be an additional €1.05bn in milestone payments linked to sales and development of the jobs, as well as royalties.

The deal hands GSK the ability to develop potential flu and Covid-19 combination vaccines, which could be updated for new seasonal variants, and compete with existing mRNA vaccines such as those produced by Moderna, Pfizer and BioNTech.

It also provides Nasdaq-listed CureVac with a cash injection, as the troubled biotech has struggled to commercialise its products. CureVac also said yesterday that it would cut almost a third of its workforce to reduce staffing costs by €25mn.

Tony Wood, chief scientific officer at GSK, said: "We are excited about our flu/Covid-19 programmes and the opportunity to develop best-in-class mRNA vaccines to change the standard of care."

CureVac was an early developer of Covid-19 vaccines at the beginning of the pandemic, with the German govern-

'We are excited about our flu/Covid-19 programmes and to develop best-in-class mRNA vaccines'

ment buying 23 per cent of the company to fast track its mRNA treatments.

But the vaccine maker struggled to develop a jab and fell behind Moderna, BioNTech and Pfizer in bringing a vaccine to market. It entered into a €150mn agreement with GSK in 2021 to develop jabs that could be adapted to new variants of Covid-19, but the agreement has yet to deliver a clinically approved vaccine. CureVac shares have collapsed since the initial deal was signed.

Under the new agreement, GSK will take over full development of the vaccines, including an avian flu vaccine, as cases of the condition mount across the world and have led to several human infections.

As it shifts away from Covid and flu vaccines, CureVac said it would also cut 30 per cent of its staff. It will instead focus on development of early-stage oncology vaccines, an area in which it also lags behind German rival BioNTech.

"The new GSK agreement not only provides substantial financing but also allows us to streamline our operations and focus on technology innovation, research and development," said chief executive Alexander Zehnder. "The approximately 30 per cent workforce reduction is a difficult decision on a personal level. I am convinced that this is a necessary step to ensure the long-term success of CureVac."

The move will lead to one-off severance and restructuring costs of €15mn.

GSK shares were flat yesterday. CureVac's were down 5.2 per cent in early afternoon trading in New York at \$3.16.

UK COMPANIES

Travel & leisure

Hawksmoor restaurant chain put up for sale

Deal likely to value group at about £100mn as it seeks to expand overseas

ERI SUGIURA AND IVAN LEVINGSTON
LONDON

Hawksmoor has been put up for sale in a deal that could value the restaurant chain at about £100mn, according to two people familiar with the matter, as it seeks to grow its international footprint. Investment bank Stephens, which has been hired to run a sales process, has started speaking to potential buyers, the people said. Graphite Capital has owned 51 per cent of Hawksmoor since 2013.

Hawksmoor chief executive and co-

founder Will Beckett and another co-founder Huw Gott, who own a minority stake, will retain their shareholding to continue to lead the company, one of the people added.

Graphite Capital said it did not comment on "market rumour" and Stephens declined to comment.

Hawksmoor did not comment on whether it was up for sale but Beckett said in a statement: "We've got a great relationship with Graphite, and together we are getting to know the US investment community in more depth. As that continues, an opportunity may emerge that we wish to explore together."

Meanwhile, Rare Restaurants, the owner of rival steakhouse Gauchon, is

also exploring a sale of the business having appointed Clearwater mergers and acquisitions advisers, two people familiar with the matter said. One person said Rare was yet to start the process, as it was not under financial pressure. Rare Restaurants and Clearwater declined to comment.

London-based Hawksmoor's sales process comes as the chain, which operates 13 locations, including 10 in the UK,

Co-founders Will Beckett and Huw Gott will retain their shareholding and continue to lead the group

continues expanding abroad having opened in Chicago last week.

It follows Hawksmoor's debut US site in New York in 2021 and the launch of another venue in Dublin last year.

The company, which opened its first outlet in 2006 in east London as a place to buy better-quality steak, said last week that sales were expected to top £100mn this year with "consistent like-for-like growth".

One person close to the group said underlying profits for the 12 months to the end of June were above £10mn, and that it aimed to expand in the US.

In 2021, Hawksmoor shelved plans for a flotation amid uncertainty in the hospitality industry caused by Covid lockdowns, shortages of labour and sup-

ply chain disruption. The chain had been working with Berenberg private bank on the plans.

Despite rising inflation and the cost of living crisis, UK hospitality has witnessed several large deals. Last year, Apollo acquired Wagamama owner The Restaurant Group for £506mn, while Japanese group Zensho bought Yo! Sushi owner Snowfox for £490mn.

This year, London-based Equistone Partners sold its stake in catering group CH&CO to the world's largest catering company Compass in a £475mn deal.

The exploration of a sale for Hawksmoor comes as private equity groups face pressure to sell some of their record \$3tn in unsold assets in order to return cash to their backers.

Media

EQT to buy Aim-listed gaming group Keywords in £2.2bn deal

MARI NOVIK AND MAXINE KELLY
LONDON

A consortium led by Swedish private equity group EQT has agreed to acquire Irish video games company Keywords Studios in a £2.2bn deal, underlining the fertile hunting ground for buyers in London's stock market.

Keywords, based in Dublin and listed on London's junior Aim market, accepted a lower price than a previous bid from EQT after Keywords announced some projects had been delayed and cancelled.

The £2.2bn deal, which includes debt, comes after the Financial Times reported in May that EQT had made four unsolicited proposals to buy the video games company.

The price of £24.50 a share represents a 66.7 per cent premium to Keywords' closing price at the start of the offer period on May 17 – but is lower than an earlier £25.50-a-share bid.

The deal, which boosted Keywords' shares more than 3 per cent to £23.90 yesterday, gives EQT a 51 per cent stake, with Singaporean state-owned investment company Temasek and Canada Pension Plan Investment Board taking 24.5 per cent each.

The company, which was valued at less than £50mn just over a decade ago when it first listed, has worked on blockbuster titles including *Fortnite* and *League of Legends*. Its services include providing art and marketing.

'Keywords is mindful of the near-term challenges in the video games and entertainment industries'

The group has expanded rapidly since going public by acquiring more than 60 companies, including support studios.

Keywords reported record revenues of €780mn in 2023, up 13 per cent year on year, while its pre-tax profit plunged 49 per cent to €35mn.

Its shares have fallen nearly 30 per cent since peaking in September 2021 as investors worried that some of its services, such as translation, might be disrupted by artificial intelligence.

"Keywords is mindful of the near-term challenges in the broader video games and entertainment industries, as well as other longer-term uncertainties, which have caused volatile returns for Keywords Studios' shareholders over the past 15 months," said Keywords' chair Don Robert, who is also chair of the London Stock Exchange.

He added that the company's board believed the offer represented a "good opportunity for shareholders" and that it was confident about its growth plan.

Two top Keywords shareholders, Franklin Templeton and Pictet, have said they will vote in favour of the transaction, according to EQT.

Jean Salata, chair of EQT Asia, said the firm planned to draw on experience in the services and technology sectors to support management and invest further in innovation, talent and mergers and acquisitions.

The acquisition, set to complete in the fourth quarter, follows EQT's previous purchase of businesses such as veterinary pharmaceuticals group Dechra.

[See Lex](#)

Transport. Infrastructure

Ports accuse watchdog of 'unreasonable delays'

Owners believe MMO's slow approval of harbour orders will hold up green transition

OLIVER TELLING — LONDON

The UK's transition to renewable energy risks being held back by the lack of progress in infrastructure improvements due to the marine environment regulator's "unreasonable delays" in approvals, port leaders have warned.

Port owners have criticised staffing numbers at the Marine Management Organisation that they say have left them waiting years for it to approve so-called harbour orders, which are required for certain infrastructure developments.

Miles Carden, chief executive of Falmouth Harbour, said an application to modernise the port's legal framework had become "a massive frustration and a distraction".

"This is a simple modernisation of powers that will take up to four years [to approve]," he said. There is "massive potential from floating offshore wind in the Celtic Sea [and] our efforts should be concentrated on delivering economic gain and new green offshore jobs".

The MMO, however, blames a flood of applications before its fees tripled between 2022 and 2023, which have piled pressure on resource levels that are now under review.

The regulator, which is funded by the Department for Environment, Food and Rural Affairs, stressed it had not received funding to employ lawyers working exclusively on harbour orders but it was "presently reviewing our resources".

The MMO said the "perceived delays were created by the large volume of applications submitted ahead" of the fee rises and that even after raising prices from a maximum of £10,000 to £35,055, application fees had only recovered 37 per cent of the costs associated with processing harbour orders since 2011.

According to clean-energy business group RenewableUK, up to £4bn must be invested in upgrading as many as 11 ports across the country, if the government's target for energy generation from floating offshore wind is to be met by 2030. But renewables experts have warned that the UK is lagging behind other countries in building the necessary infrastructure.

The British Ports Association, which



Falmouth, Cornwall. The Marine Management Organisation points to a flood of applications before its fees increased
Robert Evans/Alamy

represents the UK's largest port owners, said its members were "growing increasingly frustrated at the lengthy and unreasonable delays in the Marine Management Organisation's processing of harbour orders".

Ports have warned that delays in approving harbour orders, which update the legislation governing a port owner's powers to build on or manage a port, could hold back the developments that are required to help construct and service offshore wind farms, such as

deep sea dredging and quays that can support the weight of huge turbines.

The Labour party, which is expected to form a new government following today's general election, has set out plans to invest £1.8bn in upgrading ports as part of its ambitions to boost offshore wind and accelerate the UK's transition to clean energy.

But Lara Moore, a partner at law firm Ashfords who specialises in assisting ports with harbour orders, said Labour's funding ambitions would

The British Ports Association says that members are growing frustrated

become "difficult if it takes three to four years to get statutory consent to build infrastructure".

The BPA highlighted at least five applications that have taken more than three years to process.

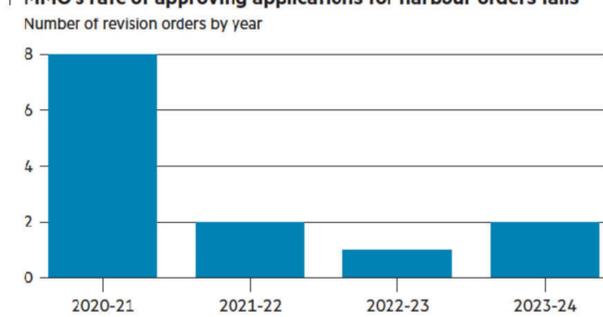
The MMO said it concluded four applications to change legislation governing the management of a port during the year to March, half the number it approved during the same 12-month period before application fees were increased in 2022. It said 28 applications were now being processed but highlighted that only one of these related to construction work.

Port leaders acknowledged that most outstanding applications did not relate directly to construction work but highlighted that applications were in progress to expand their borrowing powers and the geographic size of their jurisdiction to enable the building and operation of new infrastructure.

"If you can't borrow, you can't build," said Moore. "And if you submitted [a construction application] now for offshore wind infrastructure, it's going to sit in that queue."

Labour did not respond to a request for comment. Defra declined to comment.

MMO's rate of approving applications for harbour orders falls



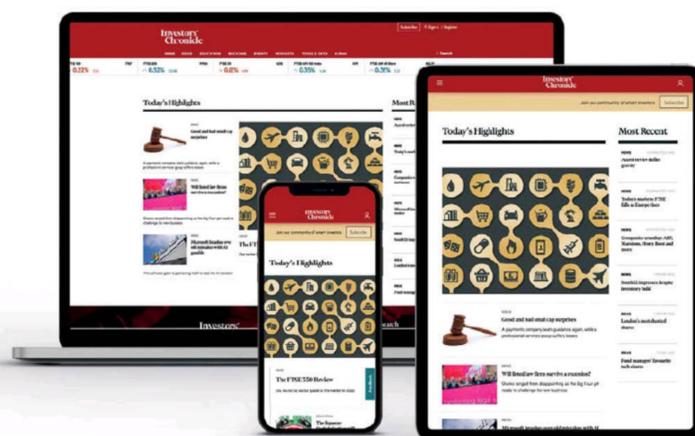
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COMPANIES & MARKETS

Fixed income. Widening spreads

Political turmoil puts spotlight on vulnerability of French bonds

Electoral upheaval and flagging growth could dent long-term appeal of the country's debt

SAM FLEMING AND VALENTINA ROMEI
LONDON

Political upheaval in Paris is prompting the financial vulnerabilities of the Eurozone's second-biggest economy to be reappraised, investors have warned.

Many fear that the prospect of dysfunctional politics, flagging growth and a steadily rising debt burden may dent France's long-term attractiveness to foreign investors who hold around half the country's government debt.

Traders doubt that this will result in turmoil akin to the gilts market crisis triggered by former UK prime minister Liz Truss in 2022, as the country's finance minister has warned.

But they fear that France's bond market could increasingly resemble Italy's over time – facing permanently higher borrowing costs and becoming a potential flashpoint when bloc-wide crises hit.

"This is causing some consternation among those investors who maybe have been complacent about France's political risks and fiscal sustainability risks," said Mark Dowding of RBC BlueBay Asset Management.

If France enacts the wrong policies over time, "there is no reason why it can't end up in a situation akin to where Italy sits today", he added.

Borrowing costs have already climbed in response to the prospect of either the far-right Rassemblement National forming the next government or the increasingly likely prospect of an unstable hung parliament.

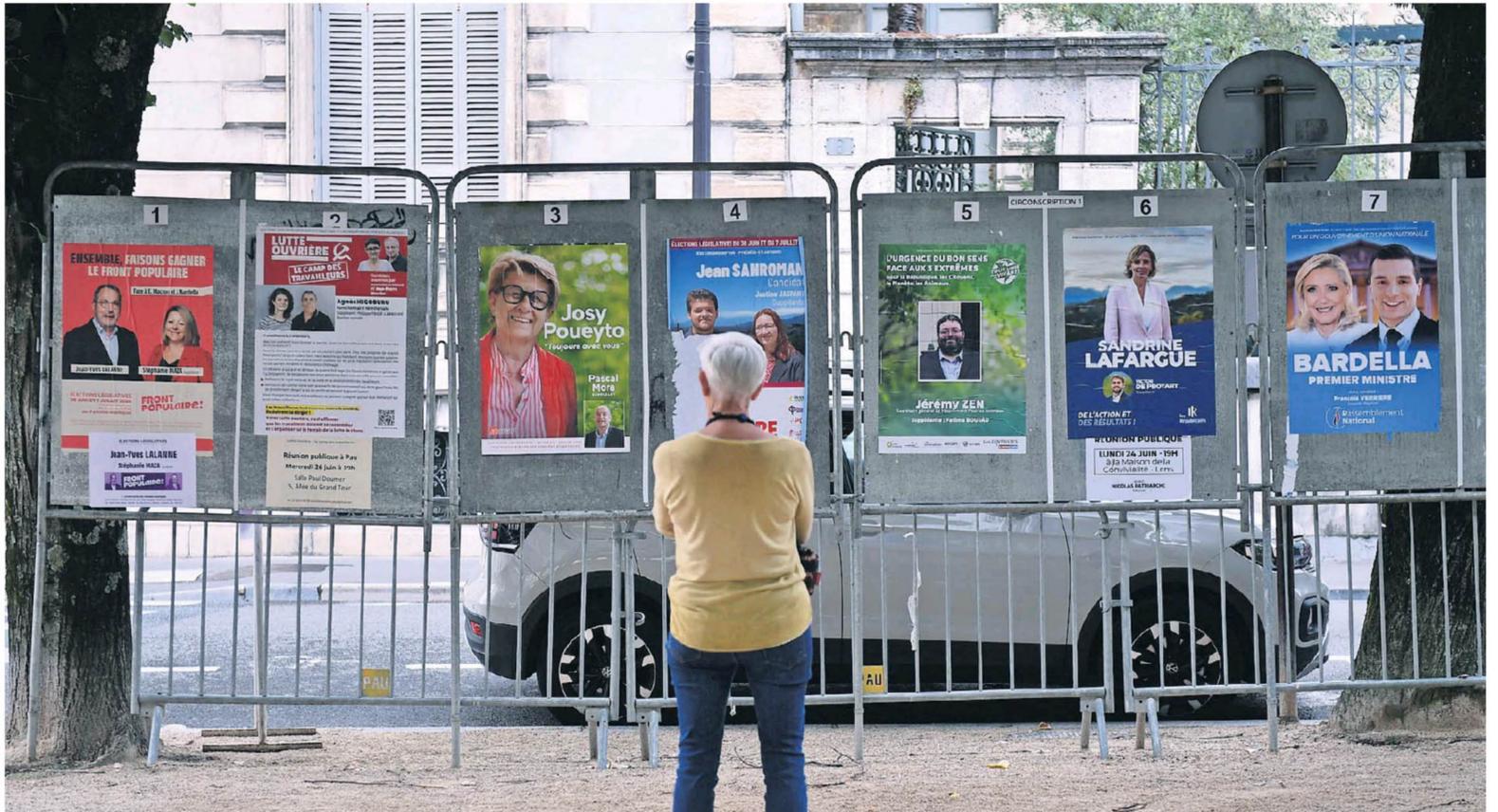
Since President Emmanuel Macron announced a snap election early last

'This is causing some consternation among investors who maybe have been complacent'

month, the spread between yields on 10-year French and German debt – a measure of risk – has rocketed from 0.48 percentage points to 0.85 percentage points last week – although it has since fallen back to 0.71 percentage points.

According to Rohan Khanna of Barclays, the yield on French bonds is at its highest level relative to a combination of those on ultra-safe German Bunds and traditionally riskier Spanish debt since the beginning of the 2000s.

The first-round victory of Marine Le



Never mind the ballots: the announcement of a snap election in France early last month has led to shockwaves for its bond market

Gaizka Irujo/AFP/Getty Images

Pen's RN and its allies on Sunday and the second-place finish of the leftwing Nouveau Front Populaire alliance (NFP) have bolstered fears of further political turmoil ahead of the second round this Sunday.

It has also intensified market fears of either political deadlock or a potential move away from market-friendly policies, which could damage confidence after the election.

Pollsters believe a hung parliament or an outright majority for the RN are the most likely outcomes after the second round.

In the case of a strong finish for the RN, President Macron could face an uncomfortable power-sharing arrangement with the far-right known as "cohabitation".

The uncertainty comes at a time of budgetary weakness in France. S&P Global lowered its credit rating in May, following a downgrade by Fitch.

France is forecast to run a budget deficit of 5 per cent of GDP next year, mod-

estly down from 5.3 per cent this year but still one of the highest in the EU and above that of Italy, according to the European Commission.

France is also reliant on overseas investors – including a big cohort of Japanese institutions looking for secure European sovereigns – to buy its bonds.

While this gives it a more diversified investor base than some, it also leaves it more vulnerable to a sharp change in sentiment, say analysts.

Half of French government debt is held by non-residents, compared with about 27 per cent in Italy and 43 per cent in Spain, according to Eurostat data.

While Italian households hold 11 per cent of the country's debt, that figure for France is 0.1 per cent.

Markets are nervous about what the Japanese investors will do in particular as shifts in Japanese monetary policy could make their trades less profitable, said Tomasz Wieladek, an economist at T Rowe Price.

On June 19, the European Commis-

sion proposed opening an excessive-debt procedure for France as Brussels warned of "high risks" emerging from its debt sustainability analysis over the medium term.

The general government debt ratio is on track to rise continuously to about 139 per cent of GDP in 2034, it stated.

France has so far avoided the kind of crises experienced in Italy and the UK in recent years.

In 2018, the spending plans of Italy's coalition of the Five-Star Movement and the League party pushed the gap between Italian and German 10-year bond yields to more than 300 basis points.

That was the highest level since the aftermath of Silvio Berlusconi's premiership, reflecting investors' assessment of Italy's political risk.

Analysis by JPMorgan suggests that France could weather a sudden leap in borrowing costs. A "shock" under which borrowing costs leap by 1.5 percentage points over a two-year period would

only lift the debt-to-GDP ratio to just over 115 per cent, marginally above its central projections, the bank said in a recent note.

That is partly because France's debt stock is relatively long-dated with an average maturity of 8.5 years, according to S&P.

That means that just 8-10 per cent of its debt comes up for refinancing every year, according to Barclays, slowing the impact of rise in borrowing costs.

"The Liz Truss scenario seems unlikely at this point – I don't see a sudden disruption to the French bond markets," said Holger Schmieding, chief European economist at Berenberg, who predicts Le Pen's party will seek to be relatively moderate on fiscal policy.

However, the country's long-term fundamentals are not good, Schmieding said, especially if France diverges from Macron's pro-growth policies.

A confrontational approach with Brussels is seen as raising the risk of wider turbulence in the EU.

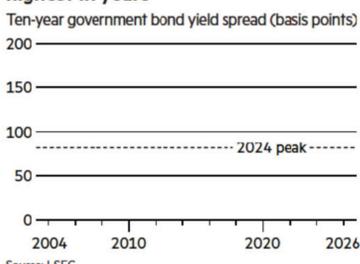
Some investors also worry that a wider sell-off in French debt would spark contagion in other European countries, forcing the European Central Bank to intervene.

France's public debt rose above 115 per cent of GDP in 2020, nearly double that in 2007. Last year, its debt-to-GDP ratio was the EU's third-largest after that of Greece and Italy at 111 per cent of GDP.

Against that backdrop, Schmieding pointed to the potential for higher borrowing costs or further credit rating downgrades, particularly if growth falters. "It adds up to a serious fiscal issue over the longer term," he said.

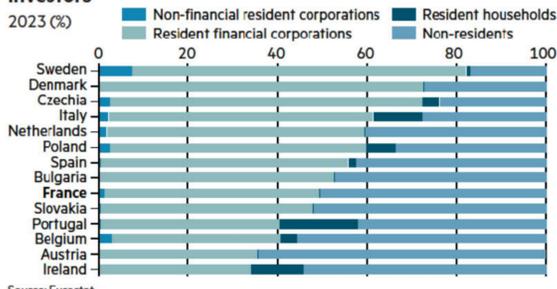
See FT Big Read

France's borrowing costs relative to those of Germany have risen to the highest in years



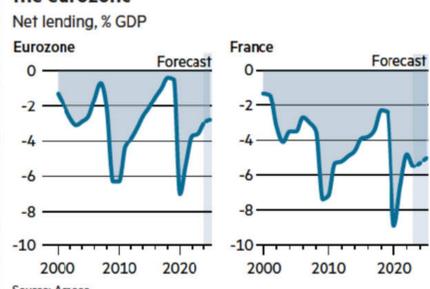
Source: LSEG

About half of France's government debt is held by foreign investors



Source: Eurostat

France has a larger government deficit than the eurozone



Source: Ameco



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Cleaning up 'forever chemicals' is primed to be a lucrative business

MORAL MONEY

Patrick Temple-West



So-called "forever chemicals" are ubiquitous in humans and the environment. Technically known as perfluoroalkyl and polyfluoroalkyl substances, or PFAS, these chemicals do not break down naturally and are increasingly found in people, animals and at the bottom of oceans.

They have been found to lower immune responses to vaccinations and damage liver functions and fertility.

The chemical companies that make PFAS may have played a role in covering up the risks.

An article in the New Yorker in May tells the story of how chemicals company 3M – one of the world's first PFAS makers – allegedly hid the dangers of the toxic compounds.

Last year, 3M agreed to pay a massive \$10.3bn settlement to public water suppliers that had detected PFAS in drinking water.

As governments around the world race to adopt regulations to reduce PFAS, investors are eyeing opportunities for water treatment companies.

In an interview in New York last week, Estelle Brachlianoff, chief executive of French water company Veolia, said PFAS removal in the US was a big opportunity for the company "and is growing fast".

In April, the US Environmental Protection Agency adopted the first US standards for PFAS in drinking water.

Veolia, she said, wanted to be a "one-stop shop" from the diagnosis of PFAS in drinking water to the treatment solution. In the US, PFAS removal had been estimated to have a \$250bn market potential.

Veolia is the world's largest water company, according to Morningstar. But as a constituent of France's large-cap Cac 40 equities index, Veolia's share price was knocked in June amid the political upheaval triggered by Presi-

dent Emmanuel Macron's call for snap elections.

Undeterred by France's political gyrations, Wall Street is paying close attention to Veolia's PFAS potential.

Water treatment accounts for nearly half of Veolia's earnings, Morgan Stanley noted in a June 28 report. The company was "ideally positioned" to win business "in PFAS pollution mitigation", the bank said.

The EPA's new regulations impose drastically lower PFAS limits on public and private water utilities. They mandate that PFAS levels are no higher than four parts per trillion.

To put that in perspective, Veolia has said one part per trillion is equivalent to one grain of sand in an Olympic-sized swimming pool.

"These stringent new standards will require many utilities to install treatment to come into compliance," said Carsten Prasse, an assistant professor for environmental health and engineering at Johns Hopkins University. "And while the technologies to remediate PFAS exist, the costs can be incredibly high."

Private sector estimates suggest that complying with the PFAS rules could cost utilities up to \$3bn annually.

Up to 6,000 public drinking water providers in the US might not meet the PFAS requirements, the EPA has estimated.

"The new regulations are incredibly important for public health but who will pay and how much it will cost is likely to be a heated topic in the coming decade," Prasse said.

Veolia's Brachlianoff said the company was working to ensure its customers got an appropriate price and that they were not stung with costs for more than what was needed.

But Veolia is not the only company trying to profit from PFAS clean up. Massachusetts-based Clean Harbors is the largest hazardous waste disposal

business in North America, according to Jefferies.

The company's share price was up 36 per cent over the past 12 months and its PFAS remediation business had grown to \$78m-\$80m – in part because of the EPA's regulations, Jefferies said in a March report.

AqueoUS Vets, a California-based water treatment company, had already built the world's largest PFAS treatment initiative to date at California's Orange County Water District, said Mirka Wilderer, the group's chief executive.

The company's biggest challenge, she said, "will be scaling our team and manufacturing capabilities to keep up with the fervent demand for our systems".

As with many federal regulations these days, the EPA's PFAS rules were immediately attacked in court by corporate lobbying groups.

American Chemistry Council and National Association of Manufacturers, which represents Chevron, ExxonMobil, Honeywell and other big businesses, sued the EPA in June.

But PFAS litigation does not fit neatly into political buckets. In April, Indiana's

Republican attorney-general, Todd Rokita, sued 3M and other companies for alleged PFAS contamination.

"I know the media doesn't always cover conservatives speaking out about the environment but hopefully they will have no option to spin this legal action," he said at the time.

"You can't truly be a conservative unless you are willing to reasonably conserve God's green earth based on known facts, not ideology," he said. "And what we know as fact is that PFAS are dangerous."

Rokita's comments underscore how the PFAS problem opens a small window of bipartisanship. Clean water is something that companies can't bank on partisan political fighting to save them from.

A rare political consensus suggests that PFAS removal will present an opportunity for investors who are increasingly buffeted by political risks in their portfolios.

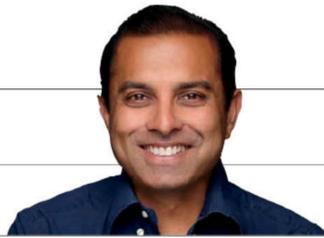
A version of this article first appeared in the Moral Money newsletter. Sign up at ft.com/newsletters

COMPANIES & MARKETS

Tipping point has been reached for UK water industry

Sachin Khajuria

Markets Insight



The looming prospect of a restructuring. A mountain of distressed and defaulted debt laced with derivatives. Shareholders writing off their stakes after describing a hugely important business as “uninvestable”. Dividends paid out through an opaque corporate structure while the operations fail to serve customers properly.

No, we are not talking about a private equity case study of a risky cyclical business where things went wrong. Rather, this is the bitter reality of what should have been a bulletproof infrastructure investment: Thames Water.

It has been easy to assign blame. Management, investors, regulators and politicians deserve their fair share. The grim future faced by millions of customers was many years in the making – and it was not down to a single issue such as a period of high interest rates.

The potential failure of this investment by the private sector in a natural monopoly providing a critical resource for human life has been hiding in plain sight.

A financially disastrous capital structure ensured there might be scant value left for the investors involved and plenty more pain to come for customers with nowhere else to turn for their water supply.

What is striking is the urgency of the need for the next government to tackle the problem head-on.

It needs to focus on precisely how much money is really needed to upgrade the Victorian-era sewers, fix the pipes and stop the seemingly endless stream of sewage dumping scandals.

This core assumption is perhaps the elephant in the room. And once this number range is checked and bounded

with independent verification, the required budget should be made public. Transparency is the least that customers facing escalating water bills deserve: a clear plan absent of financial engineering and legal jargon that lays out the money needed and who will pay for it.

Ownership of UK water companies has long been the preserve of specialist infrastructure investors attracted to stable assets with predictable cash flows that promise a regular cash return.

Quite astonishingly, however, it seems that the key ingredient missing in the infrastructure investors' approach to

It makes sense for new ministers to get this right before the sector faces a contagion in sentiment

Thames Water has been to invest enough in the infrastructure.

Similarly, a critical input missing from the regulator's involvement in overseeing Thames Water to date has been to adequately scrutinise and finalise a realistic budget for capital expenditure and maintenance costs.

There needs to be a clearer long-term budget – one that is not a hopelessly moving target. For many years, the discussions between the company and the regulator have looked like a chaotic carousel of underperformance where investment plans are insufficient, service levels disappoint, fines stack up and yet somehow both spills and dividends keep flowing with alarming frequency.

In this context, perhaps the election this week comes at a welcome juncture. Perhaps a comprehensive reset of the

situation – from ownership structure to capital structure to regulation – is what Thames Water needs and the public deserves.

The next government will have a natural break point to recognise the problem and take the essential next step.

It is likely to require political effort at the centre to find a solution that may involve new private investment or a mix of public and private money.

To somehow maintain a version of the status quo with tweaks around the edges – a new shareholder here or there but with the key issues of insufficient investment and poor service quality in effect kicked down the road – would be a terrible waste of the opportunity presented by this crisis.

A private sector investment in water should not end up with a binary outcome: either win big for decades with double-digit annual returns or slip towards financial administration with the companies being broken up or sold or nationalised.

And this applies not only for Thames Water but also for other water companies facing escalating interest payments and investment needs.

It makes sense for incoming ministers to get this right before the sector faces a kind of contagion in sentiment if fears over one company spread to another.

When banks or insurers fail, there is no shortage of political interest in a rapid solution to the mess.

The potential wipeout of the UK's largest water company is not something that can be shaken off as simply a problem for its shareholders.

Sachin Khajuria is an investor, a former partner at Apollo and the author of 'Two and Twenty'

The day in the markets

What you need to know

- Global stocks rally as weak economic data boosts Fed rate cut expectations
- Stoxx Europe 600 buoyed by real estate, industrials and basic materials
- Wall Street rises in shortened trading session ahead of Independence Day

Global stocks rallied yesterday and the euro strengthened against the dollar as a flurry of weak US economic data raised the chances of US Federal Reserve interest rate cuts later this year.

The region-wide Stoxx Europe 600 rose 0.7 per cent, boosted by real estate groups, industrials and basic materials.

Frankfurt's Xetra Dax index gained 1.2 per cent, with shares in defence company Rheinmetall jumping after a newspaper reported that Italy had placed a €20bn order for tanks.

London's FTSE 100 rose 0.6 per cent ahead of today's general election while Paris's Cac 40 advanced 1.2 per cent, with 39 of its 40 constituent stocks ending the day in positive territory.

Wall Street's benchmark S&P 500 added 0.3 per cent in New York while the tech-dominated Nasdaq Composite rose 0.9 per cent in a shortened trading session ahead of the Independence Day holiday.

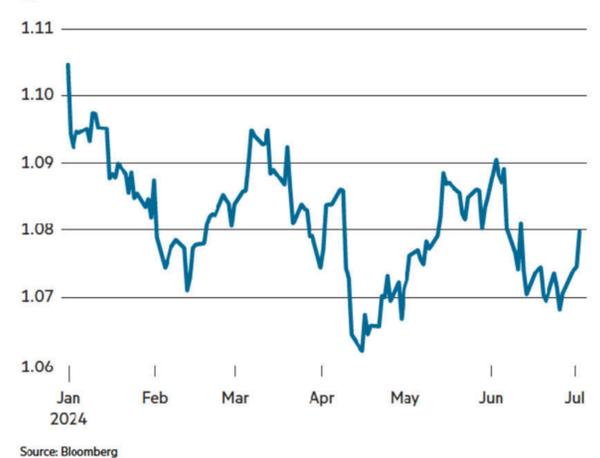
Six of the Magnificent Seven tech stocks rallied, with only Amazon in negative territory. Both the S&P 500 and the Nasdaq Composite closed at record highs.

In currency markets, the euro rose 0.5 per cent against the dollar to \$1.0801, a three-week high.

Yesterday's moves came as a series of data releases pointed to slowing

Euro rises to three-week high against the dollar

\$ per €



Source: Bloomberg

economic activity across the US. Activity in the US services sector fell to a four-year low, while private sector employers added 150,000 jobs in June, down from an upwardly revised 157,000 positions in May.

Six of the Magnificent Seven tech stocks rallied, with only Amazon in negative territory. Both the S&P 500 and the Nasdaq Composite closed at record highs.

In currency markets, the euro rose 0.5 per cent against the dollar to \$1.0801, a three-week high.

Yesterday's moves came as a series of data releases pointed to slowing

market," said James Knightley, chief international economist at ING.

US Treasuries rallied along with European government debt.

Yields on the benchmark 10-year Treasury slipped 8 basis points to 4.35 per cent as the price of the debt rose, while those on interest rate policy-sensitive two-year bonds declined 4bp to 4.70 per cent.

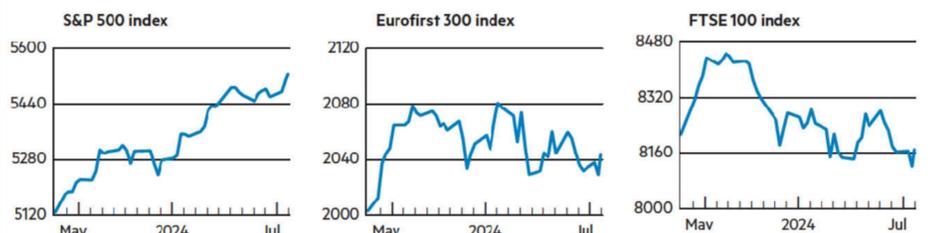
Investors will now turn their attention to jobs data due out tomorrow. Weaker than expected numbers would only bolster growing calls for rate cuts in the coming months. **George Steer**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5525.14	2044.05	40580.76	8171.12	2982.38	126529.22
% change on day	0.29	0.74	1.26	0.61	-0.49	1.40
Currency	\$ Index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	105.577	1.081	161.355	1.276	7.273	5.577
% change on day	-0.137	0.652	-0.056	0.631	0.028	-1.554
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.359	2.562	1.097	4.277	2.237	11.854
Basis point change on day	-8.480	-4.100	1.030	-7.500	-0.900	-17.300
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LME)
Level	533.90	86.27	82.83	2331.75	29.31	4169.60
% change on day	0.59	0.03	0.02	0.11	0.22	0.10

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 7.79	Casino Guichard 9.86	Int Consolidated Airlines S.a. 5.51
Tesla 5.90	Grifols 6.03	Easyjet 4.21	
Newmont 4.41	Thyssenkrupp 4.63	Fresnillo 4.08	
First Solar 4.30	Alstom 4.04	Barclays 3.51	
Marketaxess Holdings 4.15	Lufthansa 3.55	Burberry 3.49	
Downs	Walgreens Boots Alliance -3.41	Sajpem -2.70	Jd Sports Fashion -4.00
Constellation Brands -3.21	Novo Nordisk -1.94	3i -1.22	
Dollar General -2.68	Muench Rueckvers -1.75	Hikma Pharmaceuticals -1.19	
Arch Capital Ltd -2.59	Sodexo -1.65	B&M Eur Value Retail S.a. -0.84	
Biogen -2.45	Repsol -1.55	Shell -0.64	

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

Crude oil prices rally to two-month high ahead of peak US driving season

MALCOLM MOORE — LONDON

Oil prices have climbed to a two-month high as refineries gear up for the summer driving season and traders fret over renewed tensions in the Middle East.

Global benchmark Brent crude edged up to as high as \$86.92 yesterday, having gained about \$10 a barrel since the beginning of June. The US equivalent, West Texas Intermediate, advanced to \$83.53 before slipping back.

A weekly report from the US Energy Information Administration showed that US commercial inventories of crude oil fell by 12.2mn barrels compared with the previous week as refineries stepped up to produce more fuel for what is expected to be a record season of summer travel.

The EIA said inventories were now about 4 per cent lower than the five-year average for this time of year.

In addition, the EIA said that, over the past four weeks, the US had seen a 9 per cent increase in oil imports compared

with the same period last year. Gasoline inventories, meanwhile, fell by 2.2mn barrels week on week and are 1 per cent below the five-year average.

Gasoline and jet fuel demand is expected to rise strongly over the next few weeks. The American Automobile Association expects that the July 4 holiday week will see more than 7mn people

'Already in June, Opec+ exports are sharply lower, led by the Gulf countries and Iraq'

travel, the highest number since before the pandemic.

Supplies of oil have also tightened. "Already in June, Opec+ exports are sharply lower, led by the Gulf countries and Iraq, in part due to summer crude burn amid the ongoing heatwave in the Middle East," Energy Aspects said in a research note, referring to higher demand for power due to greater air

conditioning usage. The price of oil fell sharply at the beginning of June after members of Opec+ said they would gradually try to reintroduce 2.2mn barrels of cut production back into the market, starting from September.

After heavy selling, the oil cartel released a video on June 5 of a briefing with analysts in which Prince Abdulaziz bin Salman, Saudi Arabia's oil minister, gave reassurances that members would only increase production subject to market conditions.

Since then, the oil price has steadily rallied, with Brent crude rising from a low of \$76.76 a barrel on June 4.

Other factors playing into rising prices include concerns over a potential escalation in the conflict between Israel and Hizbollah.

In the options market, traders have built up bets on oil rising further if it breaks through the \$90-a-barrel mark.

However, fears that Hurricane Beryl would disrupt production in the Gulf of Mexico ahead of the US July 4 holiday have receded.

FT FINANCIAL TIMES

FT RETHINK

HOW CAN WE BUILD WITH BETTER MATERIALS?

Every week a new area the size of Paris is built. So how can we choose greener materials?

The new FT Rethink video looks at options from laminated timber in Stockholm to recycled plastics in Singapore.

Watch *The Future's Building Blocks* now at rethink.ft.com

PARTNER CONTENT by

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LOMBARD ODIER



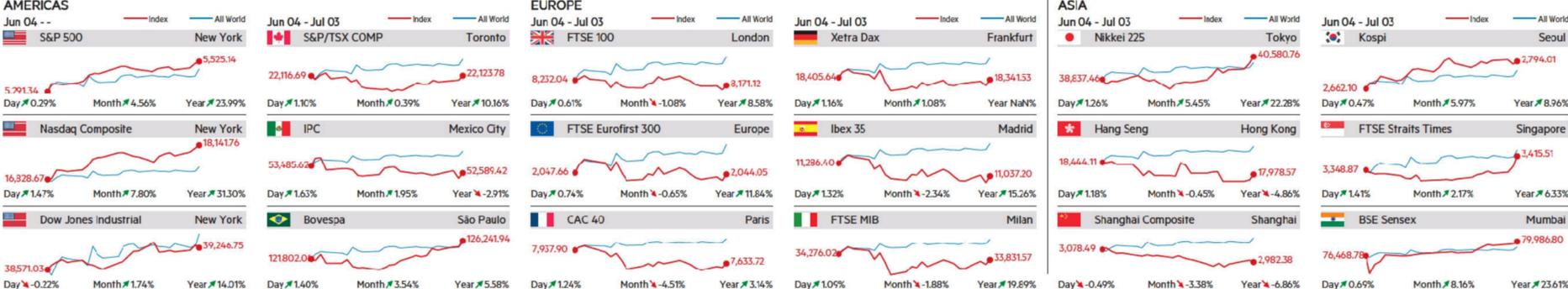
MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
Argentina	Merval	1621802.68	1636391.13	Cyprus	CSE MXP Gen	66.40	68.88	Italy	FTSE Italia All-Share	35090.91	35090.91
Australia	All Ordinaries	7986.10	7959.70	Czech Republic	FX	1567.72	1559.74	Poland	WIG	1913.3	1943.20
Brazil	Ibovespa	126282.22	124971.08	Denmark	OMXC20	2826.33	2888.08	Portugal	PSI 20	6648.88	6592.92
Canada	S&P/TSX 300	17235.10	17235.10	Estonia	OMX Tallinn	1748.39	1732.08	Romania	BET Index	18257.20	18229.27
China	SSE	3259.68	3236.71	Finland	OMX Helsinki Gen	10022.10	10002.95	Russia	MOEX	2435.27	2435.20
France	CAC 40	7652.10	7658.29	Germany	DAX	5711.43	5688.88	Saudi Arabia	TASI	12457.11	12127.57
Germany	DAX	5711.43	5688.88	Greece	ASEX	1423.56	1407.03	Singapore	FTSE Straits Times	34155.1	3370.90
Hong Kong	Hang Seng	17975.71	17769.14	Hungary	BUX	3922.16	3922.16	Slovakia	SAX	31087	31153
India	Nifty 50	22851.20	22877.80	Indonesia	JKSE	9425.00	9311.00	South Africa	JSE All Share	8072.78	7945.02
Indonesia	JKSE	9425.00	9311.00	Israel	TASEX	1983.88	1983.88	Spain	IBEX 35	11286.60	11037.20
Japan	Nikkei 225	37172.00	37172.00	Italy	FTSE MIB	33833.58	33833.58	South Korea	KOSPI	27940.1	27890.86
Korea	KOSPI	27940.1	27890.86	Japan	Nikkei 225	37172.00	37172.00	Sweden	OMX Stockholm 30	2565.27	2541.12
Malaysia	FTSE Bursa KLCI	1615.32	1537.95	USA	S&P 500	5052.13	5052.13	Switzerland	SMI Index	12018.90	12018.90
Mexico	IPC	52589.42	52589.42	UK	FTSE 100	7486.91	7486.91	Taiwan	TSEI	16915.54	16842.30
Netherlands	AEX	531.09	531.09	USA	Nasdaq Composite	18147.16	18147.16	Thailand	SET	1294.70	1238.58
New Zealand	NZX 50	11790.92	11776.73	USA	Dow Jones Industrial	38678.45	38678.45	Turkey	BIST 100	10657.07	10486.24
Norway	OSLO	106.13	106.13	USA	Nasdaq Comp	18147.16	18147.16	UAE	Abu Dhabi General Index	9251.11	9251.11
Poland	WIG	1913.3	1943.20	USA	Dow Jones Ind	38678.45	38678.45	UK	FTSE 100	7486.91	7486.91
Portugal	PSI 20	6648.88	6592.92	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 500	5052.13	5052.13
Romania	BET Index	18257.20	18229.27	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Russia	MOEX	2435.27	2435.20	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Saudi Arabia	TASI	12457.11	12127.57	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Singapore	FTSE Straits Times	34155.1	3370.90	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Slovakia	SAX	31087	31153	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
South Africa	JSE All Share	8072.78	7945.02	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Spain	IBEX 35	11286.60	11037.20	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
South Korea	KOSPI	27940.1	27890.86	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Sweden	OMX Stockholm 30	2565.27	2541.12	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Switzerland	SMI Index	12018.90	12018.90	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Taiwan	TSEI	16915.54	16842.30	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Thailand	SET	1294.70	1238.58	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
Turkey	BIST 100	10657.07	10486.24	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
UAE	Abu Dhabi General Index	9251.11	9251.11	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
UK	FTSE 100	7486.91	7486.91	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	S&P 500	5052.13	5052.13	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Composite	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Industrial	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Dow Jones Ind	38678.45	38678.45	USA	Nasdaq Comp	18147.16	18147.16	USA	FTSE 100	7486.91	7486.91
USA	Nasdaq Comp	18147.16	18147.16	USA							

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with 10 columns: Stock, Price Day Chg, %Wk, High, Low, Yld, P/E, MCap m. Includes sections for Australia (AS), Brazil (BS), Canada (CS), China (CK), Denmark (DK), FT500: TOP 20, FT500: BOTTOM 20, Germany (GE), Hong Kong (HK), India (IN), Italy (IT), Japan (JP), Korea (KR), Mexico (MX), Netherlands (NL), Norway (NO), Singapore (SI), South Africa (SA), Spain (ES), Sweden (SE), Switzerland (SW), Taiwan (TW), Thailand (TH), UK (UK), and USA (US).

Table with 10 columns: Stock, Price Day Chg, %Wk, High, Low, Yld, P/E, MCap m. Section: FT 500: TOP 20

Table with 10 columns: Stock, Price Day Chg, %Wk, High, Low, Yld, P/E, MCap m. Section: FT 500: BOTTOM 20

Table with 10 columns: Stock, Price Day Chg, %Wk, High, Low, Yld, P/E, MCap m. Section: BONDS: HIGH YIELD & EMERGING MARKET

Table with 10 columns: Stock, Price Day Chg, %Wk, High, Low, Yld, P/E, MCap m. Section: BONDS: GLOBAL INVESTMENT GRADE

Table with 10 columns: Rate, Prev price, Change, Day, Week, Month, % change. Section: INTEREST RATES: OFFICIAL

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: BOND INDICES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: MARKET INDICES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: UK FTSE ACTUARIES INDICES

Table with 10 columns: Commodity, Price, % Change, High, Low, Yld, P/E, MCap m. Section: COMMODITIES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: BONDS: INDEX-LINKED

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: BONDS: BENCHMARK GOVERNMENT

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: UK FTSE ACTUARIES INDICES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: INTEREST RATES: MARKET

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: MARKET INDICES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: BONDS: BENCHMARK GOVERNMENT

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: UK FTSE ACTUARIES INDICES

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Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: UK FTSE ACTUARIES INDICES

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Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return % change. Section: UK FTSE ACTUARIES INDICES

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Advertisement for FT Financial Times 'INSIDE POLITICS' featuring a portrait of a man and text: 'Get the inside track on British politics every weekday morning. Sign up now at ft.com/newsletters'.

MANAGED FUNDS SERVICE

SUMMARY FT.COM/FUNDS

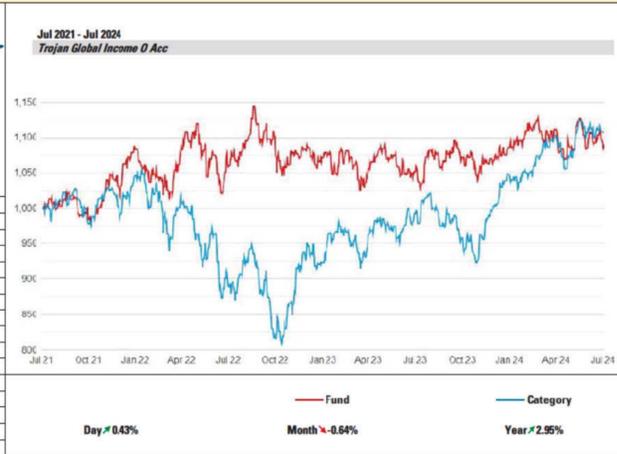
Summary table with columns: Winners - US Fund Diversified Emerging Mkts, Losers - US Fund Diversified Emerging Mkts, Morningstar Star Ratings, Global Broad Category Group - Fixed Income. Includes Fund Name, 1yr Return, 3yr Return, 5yr Return, 3yr Sharpe Ratio, 3yr Std Dev.

Advertising Feature

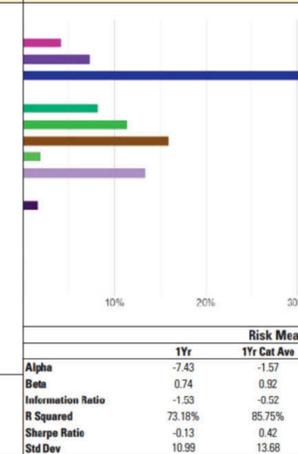


These remember that past performance is not necessarily a guide to future performance. Firm Name: Troy Asset Management Limited. Fund Name: Trojan Global Income 0 Acc. Morningstar Category: Global Equity Income. Max Annual Charge: -.

Performance



Weightings - As of 31/05/2024



Top 10 Holdings - As of 31/05/2024

Table of top 10 holdings including Unilever PLC, Pechex Inc, CME Group Inc Class A, PepsiCo Inc, British American Tobacco P.C, RELX PLC, Microsoft Corp, Philip Morris International Inc, Reckitt Benckiser Group P.LC, Nintendo Co Ltd.

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Table with columns: Fund, Bid, Offer, +/-, Yield, 1Yr, 3Yr. Lists various funds and their performance metrics.

Algebris Investments logo and list of regulated funds including American Dynamic, American One, Bond Global, Euro Renaissance, Far East.

Blue Whale Growth Fund logo and details: Blue Whale Investment Funds ICAY, Blue Whale Growth USD T, Bid 14.04, Offer 14.17, Yield 0.17, 1Yr 30.20, 3Yr 4.44.

Candriam Investors Group logo and list of regulated funds including Candriam Abs Ret Eq Mkt Neutral-Cap, Candriam Eds Euro High Yield Cap, Candriam Bonds Gbl Hl Yld-Cap.

Dragon Capital logo and details: Dragon Capital, Vietnam Equity (LQIS) Fund A USD, Bid 18.15, Offer 18.15, Yield 0.18, 1Yr 15.12.

Guinness Global Investors logo and list of regulated funds including Guinness Global Equity Income Y, Guinness Global Investors Y, Guinness Sustainable Global Equity Y.

Algebris Investments (IRL) logo and list of regulated funds including Algebris Core Italy I, Algebris Core Italy F, Algebris Financial Credit I, Algebris Global Credit Opportunities I.

Blue Whale Investment Funds ICAY (IRE) logo and details: Blue Whale Growth USD T, Bid 14.04, Offer 14.17, Yield 0.17, 1Yr 30.20, 3Yr 4.44.

Candriam Investors Group (LUX) logo and list of regulated funds including Candriam Abs Ret Eq Mkt Neutral-Cap, Candriam Eds Euro High Yield Cap, Candriam Bonds Gbl Hl Yld-Cap.

EdenTree Investment Management Ltd (UK) logo and list of regulated funds including EdenTree European Equity Cls A Inc, EdenTree European Equity Cls B Inc, EdenTree Global Equity Cls A Inc.

Guinness Global Investors (UK) logo and list of regulated funds including Guinness Global Equity Income Y, Guinness Global Investors Y, Guinness Sustainable Global Equity Y.

The Antares European Fund Limited (International) logo and details: AEF Ltd USD, Bid 541.01, Offer 541.01, Yield -13.82, 1Yr -2.21, 3Yr -1.33.

Brooks Macdonald logo and list of regulated funds including Brooks Macdonald International Fund Managers Limited, Euro High Income, High Income, Sterling Bond.

Candriam Investors Group (Other International Funds) logo and list of regulated funds including Candriam Bds Euro Sx Term Cap, Candriam Bonds Credit Opportunities, Candriam Bonds Emerg Mkt-Cap.

EdenTree Investment Management Ltd (Other International Funds) logo and list of regulated funds including EdenTree European Equity Cls A Inc, EdenTree European Equity Cls B Inc, EdenTree Global Equity Cls A Inc.

Findlay Park logo and details: Findlay Park Funds Plc, 30 Heuston Street, Dublin 2, Ireland. Tel: 020 7966 4900.

Artemis Fund Managers Ltd (1200F) logo and list of regulated funds including Artemis Corporate Bond I Acc, Artemis European Select I Acc, Artemis Global Income I Inc.

Brooks Macdonald International Multi Strategy Fund Limited logo and list of regulated funds including Cautious Balanced Strategy, Balanced Strategy, Growth Strategy, High Growth Strategy.

Chartered Asset Management Pte Ltd (Other International Funds) logo and list of regulated funds including CAM-GTF-VCC, CAM-GTI-VCC, RAIC VCC.

EdenTree Investment Management Ltd (UK) logo and list of regulated funds including EdenTree European Equity Cls A Inc, EdenTree European Equity Cls B Inc, EdenTree Global Equity Cls A Inc.

Janus Henderson logo and list of regulated funds including Janus Henderson Absolute Return Fund A Acc, Janus Henderson Asia Pacific Capital Growth Fund A Acc, Janus Henderson Asian Dividend Income Fund A Acc.

Artemis Fund Managers Ltd (1200F) logo and list of regulated funds including Artemis Corporate Bond I Acc, Artemis European Select I Acc, Artemis Global Income I Inc.

Brown Advisory logo and list of regulated funds including Global Leaders Fund USD C, Global Leaders Sustainable Fund USD C, Global Sustainable Total Return Bond GBP E.

Dodge & Cox logo and list of regulated funds including Dodge & Cox Worldwide Funds - Global Bond Fund, EUR Accumulating Class, EUR Distributing Class (H).

Euronova Asset Management UK LLP (CYM) logo and list of regulated funds including Smaller Cos Cb One Shares, Smaller Cos Cb Two Shares, Smaller Cos Cb Three Shares.

Fidelity International logo and list of regulated funds including Fidelity International Fund I, Fidelity International Fund II, Fidelity International Fund III.

Ashmore Group logo and list of regulated funds including Emerging Markets Active Equity Fund, Emerging Markets Blended Debt Fund, Emerging Markets Corporate Debt Fund.

Brown Advisory Funds plc (IRL) logo and list of regulated funds including Global Leaders Fund USD C, Global Leaders Sustainable Fund USD C, Global Sustainable Total Return Bond GBP E.

Dodge & Cox Worldwide Funds - U.S. Stock Fund logo and list of regulated funds including USD Accumulating Share Class, USD Accumulating Share Class, GBP Distributing Share Class.

Fidelity International logo and list of regulated funds including Fidelity International Fund I, Fidelity International Fund II, Fidelity International Fund III.

Fundsmith Equity Fund logo and list of regulated funds including Fundsmith Equity T Acc, Fundsmith Equity T Acc, Fundsmith Equity T Acc.

Ashmore Group logo and list of regulated funds including Emerging Markets Active Equity Fund, Emerging Markets Blended Debt Fund, Emerging Markets Corporate Debt Fund.

CG Asset Management Limited (IRL) logo and list of regulated funds including Absolute Return Cts M Inc, Capital Gearing Portfolio GBP P, Capital Gearing Portfolio GBP V.

Dodge & Cox Worldwide Funds - U.S. Stock Fund logo and list of regulated funds including USD Accumulating Share Class, USD Accumulating Share Class, GBP Distributing Share Class.

Fidelity International logo and list of regulated funds including Fidelity International Fund I, Fidelity International Fund II, Fidelity International Fund III.

M & G Securities (1200F) logo and list of regulated funds including M & G Securities (1200F) PO Box 9038, Chelmsford, CM99 2ZF.

MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Charifund Acc	355.91	-	129.38	5.08	14.02	4.99
M&G Charifund Series Fund (Dated) Inc	£ 1.09	-	0.00	3.93	8.28	-1.16
M&G Charifund Series Fund (Dated) Acc	£ 41.77	-	0.04	3.56	8.77	-1.16
M&G Charifund Multi Asset Fund Inc	£ 0.93	-	0.01	4.29	10.39	5.25
M&G Charifund Multi Asset Fund Acc	£ 118.05	-	0.48	3.73	10.40	5.26



MMIP Investment Management Limited (GSY)
Regulated
Multi-Manager Investment Programmes PCC Limited
 UK Equity Fd Cl A Series 01 £ 3080.40 3080.41 -251.75 -2.98 13.94
 Diversified Absolute Ret Fd USD Cl AF2 £ 1698.02 -45.93 -1.51 1.32
 Diversified Absolute Return Sgl Sell AF2 £ 1579.00 -1.96 -0.70 2.45
 Global Equity Fund A Lead Series £ 1747.16 1747.18 -5.31 -1.04 5.13

Mirabaud Asset Management (LUX)
 www.mirabaud.com, marketing@mirabaud-am.com
 Please find more details on our website: www.mirabaud-am.com
Regulated
 Mir - Gls Strat. B1 USD \$ 125.75 -0.22 0.00 7.60 0.38
 Mir - DiscEur D Cap GDP £ 109.10 -0.03 0.00 18.23 -2.54

Marwyn Asset Management Limited (CYM)
Regulated
 Marwyn Value Investors £ 329.72 -6.14 0.00 -7.17



Oasis Crescent Global Investment Funds (UK) ICVC (UK)
Regulated
 Oasis Crescent Global Equity Fund (USD A Dist) \$ 38.18 -0.08 0.79 8.17 -0.40
 Oasis Crescent Global Income Fund (USD A Dist) \$ 10.10 -0.01 3.76 4.97 -0.08
 Oasis Crescent Global Low Equity Fund (USD A Dist) \$ 12.89 -0.00 1.44 6.03 -0.64
 Oasis Crescent Global Medium Equity Fund (USD A Dist) \$ 14.49 -0.01 1.04 6.20 -0.51
 Oasis Crescent Global Property Equity Fund (USD A Dist) \$ 8.82 -0.06 1.65 13.78 -1.24
 Oasis Crescent Global Short Term Income Fund (USD A Dist) \$ 0.94 -0.00 3.57 3.97 0.76
 Oasis Crescent Variable Fund (GBP A Dist) £ 10.16 -0.03 0.71 7.05 -0.27



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Authorized Inv Funds
 Balanced Fund Personal Class Units £ 71.02 -19.90 1.40 5.14 2.89
 Income Fund Personal Class Units 2948.00 -5.90 2.40 7.81 4.04
 Emerging Markets Fund Personal Class Units 2016.30 -6.00 1.48 -8.48 -4.25
 Smaller Companies Fund Personal Class Units 6198.70 -67.80 1.30 -0.28 -5.62



Milltrust International Managed Investments ICAV (IRL)
 mimi@milltrust.com, +44(0)20 8123 8316 www.milltrust.com
Regulated
 Milltrust Global Emerging Markets Fund - Class A \$ 90.12 -0.98 0.00 -4.88 -12.17

Omnia Fund Ltd
Other International Funds
 Estimated NAV \$ 1109.98 -32.23 0.00 24.32 20.48



Milltrust International Managed Investments SPC
 emi@milltrust.com, +44(0)20 8123 8316, www.milltrust.com
Regulated
 Milltrust Alaska Brazil Fund SP A \$ 82.15 -2.15 0.00 -17.80 -3.72
 Milltrust Laurium Africa Fund SP A \$ 103.56 -2.26 0.00 8.60 -3.58
 Milltrust Marcellus India Fund SP \$ 159.91 -0.59 0.00 19.74 3.24
 Milltrust Singular ASEAN Fund SP A \$ 148.25 -0.49 0.00 16.64 -1.46
 Milltrust SPARK Kona Equity Fund SP A \$ 138.61 -2.34 0.00 8.17 -7.55
 Milltrust Xingtai China Fund SP A \$ 81.52 -0.85 0.00 -13.74 -22.73
 The Climate Impact Asia Fund SP A \$ 70.25 -0.50 0.00 -9.36 -11.91

Platinum Capital Management Ltd
Other International Funds
 Platinum All Star Fund - A \$ 165.41 - - - 11.78 2.41
 Platinum Global Growth UCITS Fund \$ 10.04 -0.06 0.00 17.43 -11.77
 Netam SmartLife Income UCITS and SICAV USD Acc \$ 9.42 -0.70 0.00 -13.83 13.24
 Platinum Global Dividend UCITS Fund \$ 47.52 -0.14 0.00 2.13 -6.51

Private Fund Mgrs (Guernsey) Ltd (GSY)
Regulated
 Monument Growth 25/06/2224 £ 575.84 582.49 1.73 0.85 7.81 2.60

Ministry of Justice Common Investment Funds (UK) Property & Other UK Unit Trusts
 The Equity Idx Tracker Fd Inc 2113.00 -6.00 2.31 13.50 5.00
 Distribution Units

Prusik Investment Management LLP (IRL)
 Enquiries - 0207 453 1331
Regulated
 Prusik Asian Equity Income B Dist \$ 182.85 -0.69 6.04 -2.74 0.36

Purisima Investment Fds (UK) (1200)F
 2nd floor, 23-22 Bedford Row, London, WC1R 4EB
 Order Desk and Enquiries: 0345 922 0044
Authorized Inv Funds
Authorized Corporate Director - Waystone Management (UK) Limited
 Global Total Fd PCG A 538.24 -2.13 0.26 28.13 10.98
 Global Total Fd PCG B 530.62 -2.09 0.07 27.81 10.71
 Global Total Fd PCG INT 519.20 -2.04 0.00 27.49 10.43



Stonehage Fleming Investment Management Ltd (IRL)
 www.stonehagefleming.com/gbi
 enquiries@stonehagefleming.com
Regulated
 SF Global Best Ideas Eq B USD ACC \$ 280.73 -1.94 0.00 10.68 0.26
 SF Global Best Ideas Eq D GBP INC £ 335.90 -1.47 0.00 11.01 3.10

Purisima Investment Fds (CI) Ltd (JER)
Regulated
 PCS B € 417.35 -2.82 0.00 28.64 7.60
 PCS C € 404.65 -2.73 0.00 28.35 7.37



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 RAM Systematic European Eq € 607.07 607.07 -0.80 -14.22 1.98
 RAM Systematic Global Sustainable Income € 172.01 172.01 0.09 0.00 12.34 3.37
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 Superfund Green US\$ \$ 716.05 -1.49 0.00 -4.68 -14.79
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 Royal London Corporate Bond Mth Income 76.62 -0.15 4.92 11.20 -2.41
 Royal London European Growth Trust 292.70 -2.60 1.71 11.77 5.80
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 Royal London UK Growth Trust 679.60 -3.10 2.08 17.01 3.60
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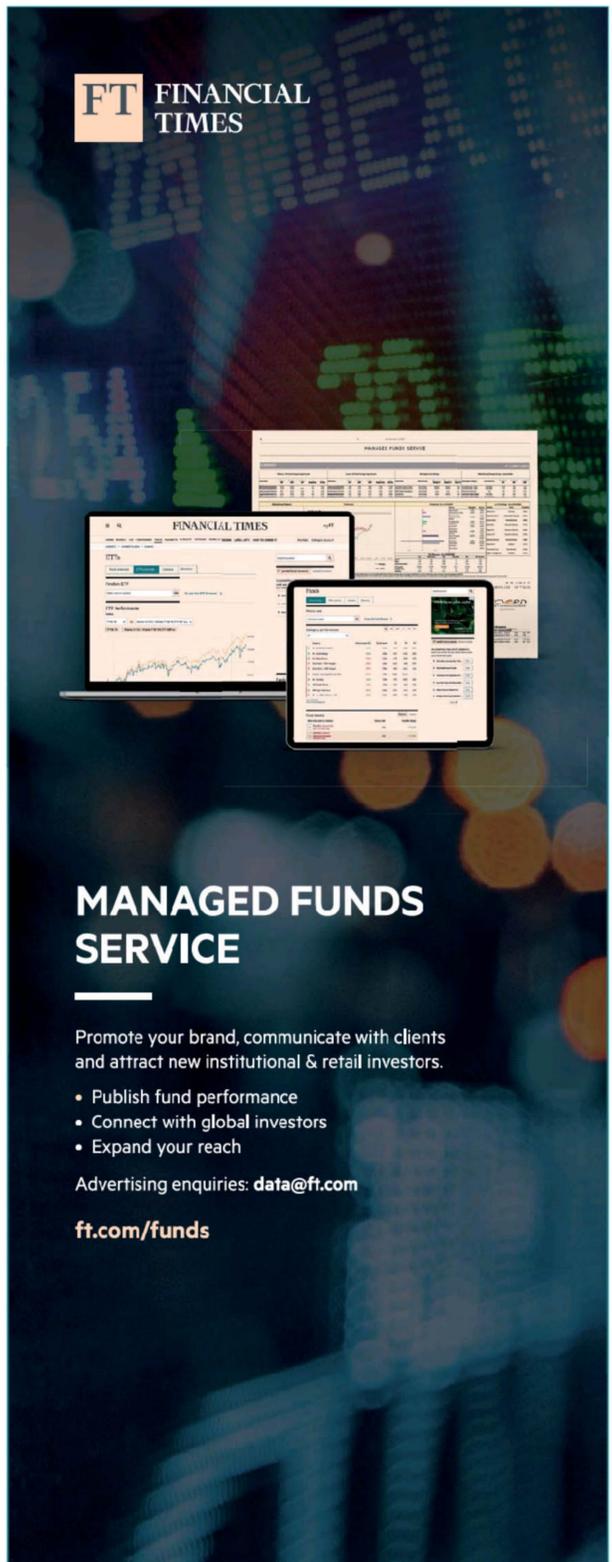
Thesis Unit Trust Management Limited (UK)
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 TM New Court Fund A 2011 Inc £ 20.29 -0.09 0.24 6.62 0.61
 TM New Court Fund - A 2014 Acc £ 20.58 -0.09 0.28 6.63 0.61
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 Tosca Mid Cap GBP £ 117.80 -0.64 0.00 -29.93 -21.59
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 Trojan Ethical O Acc 136.74 -0.28 1.23 7.54 2.91
 Trojan Ethical O Inc 134.63 -0.28 1.44 7.64 2.98
 Trojan Ethical Income O Acc 147.72 -1.09 2.66 7.32 0.76
 Trojan Ethical Income O Inc 118.56 -0.67 2.72 7.32 0.76
 Trojan Fund O Acc 404.17 -1.09 1.02 5.37 2.36
 Trojan Fund O Inc 322.89 -0.67 1.09 5.36 2.36
 Trojan Global Equity O Acc 597.85 -4.54 0.21 15.93 6.17
 Trojan Global Equity O Inc 492.16 -3.74 0.21 15.93 6.17
 Trojan Global Income O Acc 157.34 -0.67 3.02 2.95 2.92
 Trojan Global Income O Inc 125.39 -0.53 3.08 2.95 2.91
 Trojan Income O Acc 356.96 -2.92 2.98 5.11 0.23



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ARTS

The Iceman cometh (again)

THEATRE

Sarah Hemming



Memory: the original unreliable narrator. It is the subject of Complicité's spellbinding show *Mnemonic*, which, with perfect irony, has become an act of memory in itself. First staged in 1999, it is now brought back to life, tenderly reconstructed from its original state – much like the lost Iceman at its heart – and freighted, as every memory is, with all that has happened since.

Part detective story, part philosophical enquiry, it comes with a far greater political charge in an age of rancid arguments about borders, walls, migration and climate change. But it is also a profound celebration of the nature of theatre: the collective act of imagination that allows us to collaborate in bringing the past to life; the empathy essential to understanding our place in a history many millennia old.

It begins with a prologue that emphasises that imaginative effort in action. After chatting to the audience about the biochemistry of memory-making, Khalid Abdalla as Omar (the part originally taken by director Simon McBurney), encourages us to slip on blindfolds and call to mind memories both recent and more deeply buried.

Nine hundred people are invited to picture themselves aged six: a moment that both unites and separates us – every memory is different, and yet here we are recalling ourselves as small children. That combination of individual and communal experience is essential to theatre – but it is also at the nub of this show, which keeps reminding us of

the transience of boundaries, of the common urge to feel at home, of the things that unite and yet divide the people living on Earth at any given point.

Gradually we roll into the story proper. Omar's partner, Alice (Eileen Walsh, a desolate, frantic presence), has disappeared, gripped by the urge to find her long-lost father. That narrative is tangled up for him, and for us, with the riveting story of the Iceman, a 5,000-year-old body found frozen in the Austrian-Italian Alps in 1991. While Alice hurtles around Europe, pursuing faint traces of her own origins, scientists puzzle over the Iceman and what befell this man who died alone on a freezing mountainside. Who was he? What was he wearing? Why and whom did he flee?

The narrative is fragmented, darting about like the mind as it pieces together recollections. McBurney's staging and Michael Levine's design combine stark simplicity – a table, a bed, a few chairs

'Mnemonic' reminds us of the transience of borders, of the common urge to feel at home

– with voicemails, videos and other technological interventions that speak to the weird combination of connectivity and loneliness that defines our age. A translucent curtain sometimes glides across the stage, like a mountain snowfall or the fog of memory, leaving the action semi-discernible.

The show is a little long and some points about climate and current wars feel clunky. But it's still a luminous piece of theatre: witty, elusive, intensely beautiful and humane. A versatile ensemble is constantly on the move, giving a potent sense of a restless continent and a shifting past. There is particularly wonderful work from Tim McMullan as



'Mnemonic' compellingly tackles questions of home, history and humanity — Johan Persson

a mild-mannered academic trying to keep control as professors and reporters squabble over the identity of the Iceman. And Abdalla is excellent and moving as Omar, whose frozen emotional state becomes tangled up with the mummified corpse, as he lies there naked and stiff centre-stage.

In one powerful passage, the entire cast take turns in his place, rolling across a table to create a tumbling chain of humanity, alive one moment, dead the next. In the end, it is our ability to imagine this lost, lonely soul that is at the heart of this unique show.

To August 10, nationaltheatre.org.uk

What an inspired piece of programming. This new adaptation of Frances Hodgson Burnett's classic children's novel, about regeneration, hope and the healing power of nature, unfolds here amid the nodding roses and swaying trees of Regent's Park in summer. When the cast talk of the setting sun slanting

through the branches, it needs no artifice to reproduce – the audience can see the effect around them. On the night I attended, when young Mary Lennox first stepped into the locked secret garden, a flock of parakeets scythed noisily across the sky above her, as if on cue.

But it's more than just the setting that makes this a joyous staging of a much-loved book. Holly Robinson and Anna Himali Norward, adapting, keep the core of the narrative – snobbish, unhappy little orphan Mary (Hannah Khalique-Brown) is sent from India to live with her uncle, Archibald Craven, in Yorkshire and discovers a dark house steeped in grief and secrets. But they tweak it slightly to expand its moral of acceptance and to meet modern sensibilities.

Here, the story of Mary finding and coaxing back to life a secret garden, and so healing the rift between her bereaved uncle and his disabled son, Colin (Theo Angel), becomes a more general affirmation of reconciliation and belonging. Themes of neglect, care and growth weave through the story like vines.

The ableism of the original is mutated: Colin doesn't need to be "fixed" to find his father's affection or his own sense of self-worth. His father (Jack Humphrey), uncle (George Fletcher) and the local lad Dickon (Brydie Service) all also have a disability. Meanwhile both Mary and Colin are of dual heritage because of their Indian mothers (a change from the book). In one lovely move, the robin that shows Mary the route into the garden is represented, through Indian dance, by Colin's late mother, Lata (Sharan Phull).

All this is delicately done in Himali Howard's jaunty production. The cast pass the narration between them – so giving a sense of shared ownership of the story – and bring dramatised passages to life with wit. Class also becomes a key theme, with Service's frank, open-faced Dickon and Molly Hewitt-Richard's droll, feisty maidservant Martha showing a healthy degree of self-

respect. Amanda Hadingue is likewise funny as the rigid housekeeper Mrs Medlock, and Khalique-Brown is wonderful as Mary: sullen and sad at the outset, touchingly gawky as she begins to thaw and tries to learn kindness, and bursting with life by the end.

There are times when the show pushes its messages a little too hard, with the inclusion of a politically engaged Indian aunt feeling stitched on. But overall it's a generous, uplifting piece of theatre that, like a good gardener, prunes and shapes the original without losing its charm.

To July 20, openairtheatre.com

Rolling into London six years after its Broadway premiere, and 20 since the original film became cult watching, *Mean Girls*, Tina Fey's peppy, funny musical about teen queens and vicious high-school rivalries, has been nippily updated. Smartphones and social media offer so many more platforms for epic snarkiness, and Fey's script reflects that, with gags about selfies and sexting. It could do more – it still feels very

Mnemonic

National Theatre, London

★★★★★

The Secret Garden

Regent's Park Open Air Theatre, London

★★★★★

Mean Girls

Savoy Theatre, London

★★★★☆

much of its era – but it is delivered with zinging energy and wit in Casey Nicholaw's staging.

Presented as a cautionary tale, in a framework delivered by shrewd outcasts Damian (Tom Xander) and Janis (Elena Skye), the story begins with 16-year-old Cady Heron (Charlie Burn) leaving the lions and cheetahs of Kenya for the more vicious big cats and cheaters of North Shore High in Illinois.

Here she is acquainted all too quickly with the ruthless realities of survival of the fittest. Soon, smart Cady is playing dumb to try and attract handsome dude Aaron in the math class and, even more significantly, she has caught the eye and admiration of the all-powerful "Plastics": perfect pink princess Regina George and her courtiers, Gretchen and Karen. But in power moves that Shakespeare's monarchs would admire, Regina stitches Cady up – only for Cady to retort by usurping Regina's throne.

In a production that revels in the extremes of the teenage emotional landscape, all this plays out with finger-snapping speed. The Plastics arrive in the canteen with the sort of flourish generally reserved for nobility on a state visit, with Georgina Castle's excellent Barbie-perfect Regina posed atop a table and framed by Grace Mouat's sweetly dizzy Karen and Elëna Gyasi's hyper-anxious Gretchen.

Nicholaw's choreography can be very droll – it incorporates canteen trays and a mobility scooter – and the framing device allows everything to be that extra bit OTT. There is a cracking cast, too, with the leads finding both facade and fragility. Burn's gentle Cady demonstrates how appealing an in-crowd, even a toxic one, looks to an outsider.

What holds it back is the music (Jeff Richmond), which varies in style to suit the characters but doesn't leave much trace or match up to Fey's zinger-loaded script. And there's something just a little bit plastic about it all: beneath the smart observations, it doesn't go that deep. In the hands of an irresistible cast, it's certainly fun – fetch, one might even say.

To February 16, meangirlsmusical.com



Hannah Khalique-Brown in 'The Secret Garden' — Alex Brenner

Dazzling footwork wasted

DANCE

Carlos Acosta's *Carmen*

Sadler's Wells, London

★★★★★

Louise Levene

Carlos Acosta's first assault on *Carmen* for the Royal Ballet in 2015 was a big disappointment (one star from the FT). Undaunted, he has created a new full-length production for his dynamic young Cuban company Acosta Danza, which had its premiere at Sadler's Wells in London this week.

The new staging thrifflily ditches the flamenco guitarists and opera soloists but adds some ensembles and solos to stretch it to a full evening work (100 minutes including interval).

Acosta has been known to learn from his mistakes – his second crack at *Don Quixote* for Birmingham Royal Ballet was a huge improvement on his Covent Garden original – but despite uniformly splendid dancing, this new *Carmen* retains all the flaws of its predecessor: it is corny, derivative and utterly uninviting.

It looks terrific. Tim Hatley sets the action in an arena-like space dominated by a looming blood moon that serves as a screen for Nina Dunn's handsome projections – twisted umbrella, pine, stormy sky – which help set the scene. Bizet's score (taped) has been edited and orchestrated by Martin Yates and supplemented here and there with

material by Cuban composers Yhovani Duarte and Denis Peralta.

Acosta's scenario dispenses with Don José's saintly would-be fiancée and introduces the bullheaded character of Fate who serves as puppet-master-cum-choreographer, directing the action and posing the figures for each key scene. Acosta himself danced this role at the opening performance, reminding us of the 51-year-old's enduring fitness and stage presence.

The narrative is stripped down to the basic love triangle of *Carmen*, Don José and the bullfighter Escamillo, but Acosta never expands these characters beyond the stereotype: vamp, wimp,

stud. Their relationships are given little or no room to breathe and the story's moral dimension, an honourable man brought low by lust, is dispensed with.

We begin with the closing tableau of *Carmen*'s corpse (something of a spoiler) but we soon flash back to see her in action, dancing the local menfolk into submission with a series of split jumps and high kicks. Acosta's choreography here is essentially a cut and paste of ballet's bad girls: Aegina from *Spartacus*, the siren from *Prodigal Son*, plus a large helping of *Quixote*'s Kitri. The chaps show their appreciation by dropping their trousers (a sorry hangover from the 2015 production). Their routines are very slickly done but, as with all of Acosta's writing, there is barely a gesture or a step that isn't synced to the score – like one of those desktop toys that used to twitch in time to the music.

The solos for Don José (Alejandro Silva) and Escamillo (Enrique Corrales) are scarcely differentiated and are a tasty but unsatisfying stir-fry of Acosta's old bravura party tricks. The pairwork – lots of fiddly lifts, throws and catches – borrows from the best.

The dazzling Laura Rodríguez is dream casting for Mérimée's anti-heroine with switchblade legs and a high, darting jump. She doesn't so much dance on pointe as live there, deploying the weird rarefied footwork of classical ballet as if she were from another species whose feet simply happen to work that way. What a waste.



Alejandro Silva as Don José, Laura Rodríguez as Carmen — Tristram Kenton

To July 6, sadlerswells.com



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FT BIG READ. PARLIAMENTARY ELECTIONS

Old school retail politics have played a key role in the journey of Le Pen's Rassemblement National from a fringe anti-immigration party to a broad movement on the brink of power.

By Sarah White and Leila Abboud

Every day, Edwige Diaz and her far-right Rassemblement National aides scour newspapers in the Gironde region near Bordeaux for leads.

Shopkeepers opening a new store or a football club winning a trophy will be among the recipients of 30 to 50 emails they send out a week: congratulations, commiserations or just hellos.

Often, it pays off. Diaz, a 36-year-old rising star of Marine Le Pen's party who was re-elected to parliament in the first round of a French snap election last Sunday, says the owners of a rural restaurant came up to her at a recent pit-stop there to thank her for her supportive words after recent flood damage.

"They said, 'We didn't think the RN had people like you,'" Diaz says, adding the couple had complained of being ignored by other local politicians.

Diaz's methodical work in Gironde is emblematic of the old school local politics embraced by the RN in recent years that has put the far-right party within striking distance of taking power in France.

When French President Emmanuel Macron called for snap legislative elections last month, he appears to have underestimated the strength of the party led by his longtime rival Le Pen. The RN and allies won handily in the first round with 33 per cent of the vote, followed by the leftwing Nouveau Front Populaire and Macron's centrist alliance, Ensemble.

Ahead of the second round on Sunday, pollsters say a hung parliament is



the most likely scenario, in part because of tactical moves by the leftwing NFP alliance and Ensemble to pull most of their third place candidates out of run-offs. But Le Pen's anti-immigration, Eurosceptic party is still expected to be the biggest force in the National Assembly with the most seats.

Long a fringe opposition party with little local presence, the RN has stitched together a national network – initially helped by a dozen or so mayorships in small cities and towns like Hénin-Beaumont, Perpignan, and Fréjus.

Louis Aliot, a senior member of the RN elected as mayor of Perpignan in 2020, says he spent years building up local support in the southwestern city. "I moved here and opened up a law firm, and met everyone I could to reassure, reassure and reassure," he says. "I melted myself into the fabric of the city until people finally saw me as not a fascist, but a respectable young man they could trust."

The effort was turbocharged in 2022 by an unprecedented election of 89 deputies to the National Assembly. With the MPs came money from the state funding system for political parties, a change for the usually cash-strapped RN, allowing them to hire more staffers.

Le Pen then told her troops to fan out every weekend in their districts to attend local events to be what she called the "advocates of citizens" who often feel neglected amid the perceived retreat of public services, such as post offices or hospitals.

Such local presence has furthered Le Pen's decade-long mission to "detoxify" the far-right movement co-founded in 1972 by her father, Jean-Marie Le Pen, and Pierre Bousquet, a journalist and former soldier in the French unit of the Waffen-SS during the second world war.

Kévin Pfeffer, RN party treasurer, says the crop of new lawmakers elected in 2022 – he was one in the north-east region of Moselle – enjoyed a newfound status in their districts. "Officials like the prefect, deputy prefect, police chief, and head of the unemployment office – they wanted to meet us," he says, whereas before the RN was largely shunned by local bigwigs.

Slowly RN support evolved to cover a wider swath of the electorate allowing them to rack up more votes: women, white-collar workers and older people. The RN vote has evolved from one previously made out of protest or anger to one of confidence in the party's agenda and its leaders Le Pen and her 28-year-old lieutenant Jordan Bardella. "The vote driven by dissatisfaction still exists, but it has become a secondary

Many elected officials think they are above everyone. Voters want politicians to deal with the problems in their daily lives'

driver compared with the support for the ideas and the leadership," pollster Brice Teinturier wrote last week.

An early turning point in Le Pen's quest to professionalise the far right came a decade ago, in 2014, when a party stalwart, Steeve Briois, won a mayoral election in Hénin-Beaumont in northern France.

The RN capitalised on the economic devastation wrought by factory closures around the town of 26,000 in a former mining area in the Pas-de-Calais region.

The election of Briois as mayor then paved the way for Le Pen's own election as the local constituency MP in 2017, her third attempt to enter the assembly.

The following year, having lost the presidential election to Macron, she rebranded the Front National party to the Rassemblement National, aiming to make voters forget the racist and antisemitic excesses of her father and his contemporaries.

In Hénin-Beaumont, Briois also made some cosmetic changes. Locals describe his attempts to spruce up an area still scarred by shop closures and unemployment. Among the red brick houses, some of them rundown or boarded up, streets are decorated with flower pots. Residents hailed the refurbishment of a swimming pool and the train station that connects them to Lille.

Mauricette, a retired one-time cleaner and worker in the declining textile industry, also recalls how Hénin-Beaumont's city hall called her back "pretty quickly" to help her find

social housing when her husband died.

As mayor in Perpignan, Aliot says he also sought to improve people's everyday lives. He put more city police on the streets, cleaned up the town centre and tried to revitalise poor neighbourhoods to "make them easier to live in".

"Politics for decades has lost contact with the people; many elected officials think they are above everyone. Voters do not want this anymore. They want politicians to deal with the problems in their daily lives," he says. "You have to take care of people."

Studies have shown that people back the RN for multiple reasons, some ideological and rational, and others that are more subjective, such as a sense that the French "way of life" is in danger or that they do not "feel at home" in France anymore.

A recent Ipsos poll showed that purchasing power and the cost of living were the top reasons that voters chose the RN in the European election in June, followed by immigration and crime. Compared with voters from other parties, they were less motivated by issues like the quality of the health services, social inequality, or climate change.

Diaz, the Gironde MP, says she was first drawn to the party by its flagship pledge to establish a "national preference" that would favour French citizens for civil service jobs and social housing, as well as by Le Pen herself. But a decade ago when she began campaigning for the RN around her hometown in Gironde she was met with open hostility. "You needed a thick skin," she says.

That is no longer the case. "So what ministerial post will it be for you?" a fish monger at a market cries out to Diaz.

"We've removed those last brakes, that reticence," Diaz says of the party's work to break down what she called "caricatures" about their positions. "There's a triptych at play – it's the figures of Marine Le Pen, of Jordan Bardella, and the local efforts."

But beyond a focus on local issues, the RN's past governance of towns and cities has also been marked by its ideology.

David Noël, a historian and former city councillor in Hénin-Beaumont who

squared off against Briois, described in a 2020 paper how the town became a laboratory for the party's ideas.

Briois grandstanded in 2015 during the Syrian refugee crisis by refusing to take any of them in, and the local council passed a charter called "my commune without any migrants".

The party also still has work to do to eradicate the lingering issue of corruption, which dates back to the 1990s when several FN mayors ended up facing graft charges.

Allegations emerged last year against David Rachline, a close ally of both Le Pen and Bardella who has been mayor of Fréjus, a town on the Cote d'Azur near Cannes, since 2014.

Investigative journalist Camille Vigogne Le Coat detailed in a book last year how Rachline allegedly signed sweetheart deals with real estate developers, and mismanaged spending to add to the city's already heavy debts.

"In Fréjus, you find a system of clientelism around Rachline," she says in an interview, citing as an example how new units of social housing were allegedly allocated to people on his staff or close to him. Prosecutors opened up a preliminary investigation. Rachline has in the past denied wrongdoing, but could not be reached for comment.

Vigogne Le Coat also documented how racist banter became common in town hall, such as when one of Rachline's aides posted a message on Facebook condemning (with poop emojis) a TV advertisement that featured a racially mixed couple.

"There is a contradiction between the smooth polished image that Marine Le Pen and the RN's national leadership convey and the reality in Fréjus," says Vigogne Le Coat.

Recently, as the spotlight has been trained on the hundreds of RN candidates in snap elections, there have been some unguarded moments too.

Roger Chudeau, an MP running for re-election, drew a backlash last week when he was asked about a campaign proposal floated by the RN to restrict certain "sensitive" government positions to French nationals.

Citing a "problem of double loyalties", Chudeau criticised former educa-

A campaigner hands out RN leaflets at a market in Libourne this week. The RN vote has evolved from one made out of protest to one of confidence in the party's agenda and its leaders

Philippe Lopez/AFP/Getty Images

'Beyond a form of defiance, you get the sense people feel they are somehow not where things are at. They feel forgotten by the Republic'

tion minister Najat Vallaud-Belkacem, who is Franco-Moroccan, as someone who should never have been appointed. "Ministerial positions should be held by Franco-French people, full stop," he said.

Le Pen repudiated the comments. But many RN voters approve of the party's "French people first" stance and promises to slash the number of foreigners arriving in the country. The RN says it will cut back welfare benefits and medical insurance for migrants – a message welcomed by some voters who feel cash-strapped amid inflation.

"Everyone always calls us far right. But my father is Moroccan, it's not racist to support them," says Jimmy, a 32-year-old undertaker at a funeral home in northern France who was at Le Pen's election party on Sunday in Hénin-Beaumont.

He is concerned about everyday challenges like his grandmother's €900 a month pension and his struggle to get a pay raise. "We need to help the French before helping other countries," he says, referring to military aid to Ukraine.

Macron, who won the presidency as an outsider in 2017, initially talked about bringing politics closer to the people. He pledged to govern differently by introducing more citizen participation via referendums and consultative committees on issues like climate change.

But such promises soon faded. Macron's scepticism of parties and desire to centralise power at the Élysée Palace led him to neglect his new centrist party, then called La République en Marche, according to former party members.

One former MP elected in 2017 with LREM admitted that the lack of party structure meant they did not win many mayorships or elections to choose heads of regions and departments, which carry considerable local power.

"Macron was never interested in the party," the person says. "LREM was not a force, neither for debate and policies, nor for the action of the president's parliamentary group."

However, Florent Boudié, one of Macron's MPs still in the running in another district in Gironde, argues that RN boasts about its superior ground game were overdone.

A former Socialist MP before joining LREM in 2017, Boudié says has been able to rely on municipal connections and a power base partly built up in his earlier role. Among his priorities, he says, have been to keep local hospitals open and equip medical centres with high-end scanners.

Speaking at a campaign stop at a market in Libourne, he says that around the picturesque town on the Dordogne river, the far right's momentum has been anchored in a sense of abandonment felt by many, in contrast to prosperous Bordeaux nearby. That echoed a national phenomenon, he adds.

"Beyond a form of defiance, you get the sense people feel they're somehow not where things are at, be it culturally, economically, or with leisure activities," says Boudié. "They feel forgotten by the Republic."

Even if the RN does not manage to win the 289 out of 577 seats required to force Macron to name an RN prime minister at the head of a far-right government, the party's politicians will keep laying groundwork for future elections.

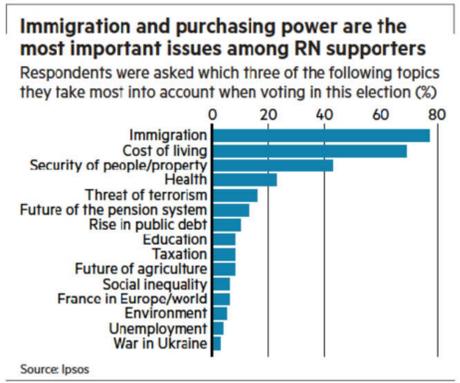
In Gironde, the MP Diaz is trying to visit every corner of her constituency. In the small town of Cavignac, many passers-by at a market greet Diaz with kisses. There and in another nearby village where Diaz hosts supporters for a small rally, RN campaigners ask people for their phone numbers. They will be used to build up the party's database of supporters and invite them to local aperitifs or campaign events.

They aim to follow up with people who have gripes or requests, helping them navigate France's thicket of bureaucracy by pushing their dossiers to the top of the pile. Aides cited the example of a funeral parlour that was struggling to get local permits to install a new crematorium until Diaz intervened.

Political opponents concede that Diaz is hard-working and polished. But Véronique Hammecker, the defeated MP for Macron's centrist alliance in this district, says her opponent's local triumph is also down to the public's deep dislike of the sitting president and what she sees as an irrational fervour around the RN promises. "It's so much easier to be a demagogue," Hammecker says.

Francis Paludeto, a 61-year-old rubbish collector, appreciates Diaz's efforts to stop cutbacks to rubbish pick-ups on people's doorsteps, and says Macron has "turned his back on people".

French voters must give the RN power, he says. "They have ideas that can change politics."



The FT View



FINANCIAL TIMES

'Without fear and without favour'

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Kenya's fraught choices

Recent protests in Nairobi show the limited options for countries avoiding default

The outlook had appeared to be brightening for emerging markets that in recent years had teetered on the brink of debt crises. Several developing countries defied expectations by avoiding default and accessing international capital markets. Violent clashes between protesters and police last week in Kenya, however, show the tensions below the surface.

Kenya's took to the streets to oppose a sweeping tax rise put forward by President William Ruto. They argued that the proposal, designed to meet fiscal targets required for an IMF loan, would cause undue harm to struggling citizens through steep increases on everyday products including bread and sanitary pads. Public dissent was met by force, including the use of live ammunition.

After days of unrest and 39 deaths, Ruto's administration withdrew the bill.

This was, in truth, a poorly designed tax policy. Substantial tax rises on essentials are ill-advised in an economy with an official poverty rate of 38.6 per cent. Rolling out the wave of new levies simultaneously shows a lack of political acumen, and a disregard for the plight of impoverished Kenyans.

The unrest also reflected a deeper rot. Profligate borrowing and poor economic management have taken Kenya's debt above 70 per cent of output. Debt service costs have risen to 32 per cent of annual government revenues – money that would be better spent on climate resiliency and public services.

Ruto's government struggled to meet a \$2bn payment on a maturing 2014 Eurobond. In another era, the choice might have been to default and pursue debt relief. Having seen the costly restructuring processes for Zambia and Ghana, Ruto's team took another path. They used IMF funds and issued \$1.5bn

in new debt at the high price of 10.375 per cent to pay back the bond.

Kenya's success in tapping the capital market appeared to many a sign of economic strength. Yet, that Ruto had to trade a 6.875 per cent Eurobond for the higher coupon to avoid default – in essence delaying the payment and passing a higher cost on to Kenyans via tax rises – is a symbol of how dysfunctional the global debt architecture has become.

The G20's 2020 Common Framework for Debt Treatment has been unable to corral the competing interests of bilateral and private creditors, plus China. The result is lengthy, expensive restructurings that damage economies and stymie development. Ruto, balancing a large number of private creditors and a big Chinese loan due in 2025, is understandably trying to avoid that fate.

Internal improvements at the IMF have reduced delays. But more needs to be done. Lawmakers in New York, where nearly half of all EM bonds are

The IMF needs to advise nations on when to reprofile debts, instead of refinancing them at higher rates

governed, proposed legislation that would penalise uncooperative private creditors and encourage comparable treatment between them and sovereign lenders. Since the latter had been a sticking point for China, this could both speed up the process and help to bring Beijing to the negotiating table.

The IMF should recognise that a flawed system requires more adept fiscal recommendations, potentially including guidance on ways to plug fiscal gaps beyond tax rises. It could also go further by advising countries on when to reprofile debts, instead of refinancing them at higher rates.

As for Kenya, the road ahead is unclear. Better fiscal management is desperately needed. Yet the options are limited. Ruto's decision to favour government cost reductions over a tax rise is sensible, but it will not be enough to plug the financial gap. He may need to borrow more – further limiting his room for manoeuvre between creditors and an angry populace.

Opinion Society

Why libraries lie at the heart of public life

María Hergueta



Richard Ovenden

The British public library system marks two important anniversaries this year. One hundred and seventy five years ago, a debate was held in parliament which led to the Public Libraries Act of 1850, giving local authorities the ability to establish free public libraries through a modest increase in local taxation. Sixty years ago the Public Libraries and Museums Act of 1964 upgraded that law to make it a requirement for local authorities to provide the service.

Since the middle of the 19th century our public libraries have developed alongside a rich provision of national, university, school and specialist libraries – a knowledge ecosystem that has been the envy of many other countries.

The network was born of the era of

For those from less privileged backgrounds especially, they provide vistas of opportunity

self-improvement, when the educational benefits of libraries for all citizens, irrespective of their social status, was regarded as an important element in driving the nation forward.

In this anniversary year, it is a tragic irony that the system is now facing one of the most severe challenges in its history. More than 800 public libraries have closed since 2010. More closures are expected.

Birmingham's once leading public library system faces massive downsizing, for example, with 25 of the 35 branch libraries under threat.

A similar picture can be found in other parts of the UK. The financial pressure imposed on local authorities during austerity has halved expenditure on public libraries. Meanwhile, the British Library is rebuilding its digital infrastructure following a devastating cyberattack in October last year. Although it is valiantly returning services to normal operation, the process will take years of work and millions of pounds. But parliament has not debated their plight.

Looking through the manifestos of the major political parties in the lead-up to the election and there is only passing or tangential reference to libraries. Yet these institutions contribute to many aspects of our public life – they are at the heart of

the knowledge economy, education, culture and the creative industries, heritage as well as social care.

Libraries help millions of people to access digital resources and are vital for training in digital literacy. They preserve digital information for the future and they have a huge amount to contribute to the development of artificial intelligence and technological innovation.

For those from less privileged backgrounds especially, libraries provide vistas of opportunity – knowledge, support and quiet conducive places to think and learn. My own life chances were transformed by having access to my local public library in Deal in Kent and later my school library. Both helped me become the first in my family to attend university, where the library would open up even broader opportunities of knowledge and ideas.

A new government could do much to improve the current situation. Addressing core funding for public libraries as part of the reform of public services should be prioritised.

According to the 1964 Act, "it shall be the duty of every library authority to provide a comprehensive and efficient library service for all persons desiring to make use thereof." But the Act does not define what "comprehensive and efficient" actually means. Local authorities can fudge it. We need government to take its "superintendence" function seriously and ensure there is a national overview of our libraries.

We also need a strategy for libraries that unites all the services in receipt of public funding.

One solution? A distinct Minister for Libraries. A new ministerial brief could help highlight the contribution made by libraries across different areas of the government's agenda.

Core library services in some parts of the country have become dangerously overstretched as they have heroically stepped in to plug gaps left by other underfunded public services. This must be reviewed. It is vital that localities are in control of their own destiny but, without central strategy and directed funding, we won't get out of the cycle of decline and uneven provision.

Libraries support learning, literacy, creativity and the imagination. They can help us to identify misinformation, engage with the democratic process, develop a sense of empathy for others in an increasingly polarised world and engage with ideas for longer than it takes to watch a TikTok.

The next government should seize the opportunity that a strong library sector can offer to the nation.

The writer is director of the Bodleian Library, University of Oxford, and author of 'Burning the Books: A History of Knowledge under Attack'

Letters

The tide turned on the Tory party long ago

The ever-excellent John Burn-Murdoch is clearly correct to argue ("How the Tories came to the brink of wipeout", Opinion, June 29) that the Tories' lapse into being unelectable significantly predates the current campaign and even the Truss premiership. He dates it back to January 2022 and Partygate but perhaps he should go back even further – to the Chesham and Amersham by-election of June 2021 (in which I played a bit part).

What was striking then was how soft

the huge Conservative vote was, how reluctant voters were to declare themselves Conservative and the prevalence of anti-Tory sentiment in what was supposed to be part of their heartland.

These features have been seen in many local and by-elections over the past three years. The same can be said of the high level of tactical voting, which saw the Labour vote, in a seat in which they had never been

competitive, collapse from a

respectable 12.9 per cent under Jeremy Corbyn in 2019, to a mere 1.6 per cent. This is how it was in the Chilterns in 2021 and how it will be across the country on July 4, and this is the tide the next leader of the Conservatives will have to try to turn.

Don't break the news to Nigel Farage, but he isn't now really that important, more symptom than cause in the tale of Tory decline.

Jonathan Allum
Amersham, Buckinghamshire, UK

UK has to steer clear of tariffs on Chinese EVs

The new UK government should not mimic the EU's punitive tariffs on Chinese-built electric vehicles ("EU to push ahead with tariffs on Chinese EVs despite German opposition", Report, June 12). Our interests are different.

The EU tariffs are designed to protect its volume car manufacturers. However, most of the UK's volume carmaking has already offshored to the EU. That's why we have a £25bn trade deficit with the EU in motor vehicles. Nissan is the only major producer left – and 70 per cent of its output is exported to the EU anyway. In effect, EU tariffs will protect car manufacturing in Sunderland.

Meanwhile, our auto industry is moving relentlessly towards high-value, customised marques. These premium vehicles dominate our £28bn worth of global (non-EU) exports. They are not threatened by Chinese imports. They will be, if we incur retaliatory tariffs from China.

So, the calculus for the UK is different. The more we stay out of this trade war, the better off we shall be. Auto investment will be drawn back to



the UK as a dependable base for low-tariff global exports. UK consumers can switch to EVs at a lower cost. And the UK will swap a big UK-EU deficit for a more moderate UK-China one. The EU won't like it – at all – but British jobs should come first.

Phil Radford
Pershore, Worcestershire, UK

American condos outshine British retiree options

The American housing market has nothing comparable to the British dilemma where we don't have enough productive land to feed ourselves ("The US housing market is awful", Opinion, June 25).

"Single family zoning" found its most wasteful expression in England when to meet the so-called wishes of the people of Lambeth it was decreed that all new housing should be two-storey with gardens. This misdirection had previously led to the "garden suburbs" of the 1930s and was widely adopted in the colonies, where there was no need for the greenbelt.

Cities are compact communal living and are man's best and most enduring invention. Urban living teaches people how to live together and we need to adapt our housing policy with a full range of options. In the UK, older generations have few good options to downsize. In America, a condo where the lifts work, preferably in Miami, is a normal life progression. Britons have to emigrate to Spain.

Barrie Moore
Dudley, West Midlands, UK

Media believe their own spin on Biden's abilities

I have no doubt that anyone watching any presidential debates brings with them their own train of luggage which will affect their analysis of the event.

Your coverage of the recent US debate in the FT View (June 29) is beyond doubt the most slanted review and clearly reflects your serious prejudices. If you believe that President Joe Biden's mind is "still sharp", I must question your view of the world. I have yet to find any US newspaper, Democratic political spin-doctor or newscaster who would share that view.

While you criticise former president Donald Trump for his "wild distortions of facts", you seem to have missed Biden's "errors", which range from the claim that no US troops have died under his watch, to his claim of receiving the endorsement of the border guards union, to his claim of beating Medicare, his distortions of the immigration situation, etc.

Numerous news outlets, including The New York Times and CNN, exclaimed shock at Biden's performance. How could they? Have they been absent from any public appearances of his for the past three years or have they simply been so far in bed with the Democratic party that they believe their own spin?

Barry J Klazura
Long Beach, CA, US

An ironic twist to elections on both sides of the pond

Why has nobody yet commented on the irony of the UK election being on Independence Day and the US election on Guy Fawkes Day? With the lame choices presented on both sides of the pond, the opportunities for symbolic satire are endless.

Stuart Miller
Arlington, VA, US

OUTLOOK

ASIA

Singapore tries to break free of the 'Crazy Rich Asians' cliché



by Mercedes Ruehl

One of my favourite spots to walk past in Singapore is what my daughter calls the "red car house".

Nestled on a corner in one of Singapore's richest neighbourhoods, the house in question is actually a grandiose mansion with at least six red Ferraris and Lamborghinis parked outside.

Owned by a wealthy local businessman, the house is well known in Singapore. It is so opulent that it features in a *Crazy Rich Asians*-inspired tour of the tiny, island city-state, based on the popular 2018 film.

The Hollywood hit was an invaluable marketing vehicle for Singapore and a gamble by its tourism board and film commission. Both threw their weight – and an undisclosed sum – behind the movie. The gamble paid off. After the film's release, Singapore experienced a record number of tourists and enjoyed a wave of global attention.

Now, however, Singapore is trying to play down the movie and the image that it presents. A reputation for high living and expensive business costs have become a sensitive topic for locals ahead of the next general election.

The city, one of Asia's main financial centres, has been ranked the world's most expensive for nine of the past 11 years by the annual Worldwide Cost of Living survey from the Economist Intelligence Unit.

Singapore wants to convince locals and expats otherwise. "What does it really cost to live in Singapore – the

world's 'most expensive' city?" ran a recent article from one of the government agencies. This dismissed "familiar tropes", including "over-the-top mansions in *Crazy Rich Asians*, the infinity pool at Marina Bay Sands and incredibly expensive cars".

The government's arguments are not all that convincing. Cost-saving advice includes not having to buy seasonal clothing because "it's summer all year round". There are also promises of 45c cups of coffee (I am yet to find this deal) and the ability to rent government housing, held up as proof that the city is not "necessarily as expensive" as London or New York.

For some, the city's extravagant reputation is still a bonus. Philip Choo, who was inspired by the book to launch the city's first *Crazy Rich Asians* tour in 2014, says he is still enjoying high demand from customers, especially from the US.

But a spate of recent news stories have reinforced the cliché of foreigners living lavish lifestyles and pushing up costs for everyone else. In May, 35-year-old Chinese citizen Wang YunHe was arrested in Singapore for allegedly running one of the world's largest cyber crime computer networks. According to the indictment, his possessions included a luxury apartment in the city's glitzy Orchard shopping district, a Ferrari F8 Spider and a number of Patek Philippe watches.

The result is that more Singaporeans are questioning

government schemes that have enticed the rich to live here. One example is the family office regime. There are now more than 1,400 single family offices – funds that manage a family's wealth – in the city-state, compared with 50 in 2018.

Manu Bhaskaran, an economist and chief executive of consultancy Centennial Asia Advisors, told me that Singapore's rising costs were the product of government policy. The "business model brings in foreign investors who bid up rents, wages and other service costs... The family offices are an example – how much extra revenue do they generate for the rest of us?"

Perhaps aware of such sentiment, another government article has proclaimed that Singapore's high cost of living is limited to wealthy expatriates. It claimed city ranking calculations include "products such as brand name raincoats and foreign daily newspapers" not typically purchased by Singaporean households.

Singaporeans are unimpressed. "Not sure why they cherry picked two items and said it's not relevant to Singaporeans," wrote one Reddit user. Another observed that the difference might lie in the suggestion that locals should have different expectations to foreigners. "It is only expensive for expats because the average Singaporeans are not supposed to aspire for the finer things in life."

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Opinion

AI glitter is flattering markets

EQUITIES

Katie Martin



The story of stocks in the first half of 2024 is unambiguously sparkly. The US benchmark S&P 500 index is up around 15 per cent. Its tech-heavy cousin the Nasdaq Composite has climbed even further. Most of Europe is having a decent run, including even the UK (but not you, France) and Chinese stocks have finally stopped bleeding out.

Central banks are indulging in an only slightly cautious victory lap on the mission to defeat inflation without tanking the global economy, judging from the annual economic report from the Bank for International Settlements, which praises policymakers for having “done their job” and “delivered” in supporting a soft economic landing. High-fives all

round. And yet the mood in markets is still fragile as investors struggle to shake the feeling that things are simply dusted in glitter. The rally in US stocks has slowed down, with barely any movement in the past two weeks. Crucially, Nvidia – not the best-performing US stock of the year but certainly the most important, in terms of broad market direction – has taken a heavy knock. Since the peak on June 20, it has dropped by 13 per cent.

Torsten Slok, chief economist at private equity group Apollo, said the index is looking “more vulnerable”. The top 10 companies in the S&P 500 make up 35 per cent of the entire value of the index, he noted, but only 23 per cent of earnings. “This divergence has never been bigger, suggesting that the market is record bullish on future earnings for the top 10 companies in the index,” he wrote. “In other words, the problem for the S&P 500 today is not only the high concentration but also the record high bullishness on future earnings from a small group of companies.”

Sometimes this works out. It was, after all, a decent set of delivery

numbers from Tesla that dragged the overall market up to this week’s new record high – the 32nd this year. But the focus on the highly uneven nature of the market is itself intensifying.

Charles Schwab points out that only 17 per cent of stocks in the S&P 500 have outperformed the index itself over the past year. For the Nasdaq, it is just 11 per cent. “The dramatic outperformance

The mood is fragile as investors struggle to shake the feeling things are simply covered in sparkly dust

of a small handful of stocks at the very upper end of the market capitalisation spectrum has greatly flattered index-level performance among cap-weighted indexes,” wrote analysts Liz Ann Sonders and Kevin Gordon at the retail broker. “There has been a tremendous amount of churn and rotational corrections occurring under the surface.”

This is the glitter in action. Anything

to do with artificial intelligence has rocketed, including chip designer Nvidia with its 155 per cent gains so far in 2024 but also the even more stellar Super Micro Computer, which has gained more than 200 per cent. A clutch of energy and industrial stocks that help AI tick are also on a tear, including Vista and Constellation Energy.

Another alarming possibility presents itself in a new paper by, among others, Jean-Philippe Bouchaud of hedge fund Capital Fund Management. The paper, somewhat provocatively titled “Ponzi Funds”, challenges anyone who clings to the quaint notion that fundamentals – earnings and the like – are what really matters for how stocks behave.

Instead, to summarise the paper very crudely, funds go up because investors cannot resist buying things that are going up, and when they do, the underlying components go up too, pushing up the funds, and drawing in new buyers. Momentum feeds momentum in “self-inflated feedback loops” and clusters around shiny narratives. At a certain point, “the constraint on the rationality of fund investors... leads to Ponzi-like

reallocations of capital among fund investors that unravels when the price impact in the underlying securities reverts,” it argues.

The study focuses on exchange traded funds because the quality of data on purchases and sales of these instruments is strong, but the principle applies to stocks more broadly. The momentum of US stocks and the dominance of a single theme mean the current market environment smells awfully similar. “The US market has gone up because people have bought the US market,” said Bouchaud.

This line of research is not new. “We’re in a long tradition of many giants before us,” he added. None of this makes it easy to see what breaks the spell and prompts markets to drop back down to earth or when. But if US stocks do not slot back into their smooth upward glide soon, it is easy to imagine gnawing doubts over intense market concentration, and reminders of the unsustainable nature of fads and trends, to rub some of the gloss off stocks in the second half of this year.

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Labour must always choose growth over redistribution

ECONOMICS

Chris Giles



Keir Starmer has set Labour the task of making people “materially better off in the sense of ‘more money in my pocket’”. In his mission to improve living standards, Labour’s leader has put his finger on what really matters to people – a sense that their own finances will improve over the next five years.

Although much of the election focus has been on public finance issues, what happens to incomes will determine Labour’s success in government if it wins. There is no doubt that the past 14 years has seen miserable progress on living standards. Real household disposable income per person has flatlined in the UK since the 2019 election, compared with roughly 2 per cent annual growth in most parliaments since the second world war.

More interesting is the distribution of income changes over the past five years and the whole period the Conservatives have led government since 2010. Despite a huge rise in food bank use and cuts to social security for working-age households, the surprise is that it is the poorest households that have done better than the rest of the UK.

Better is a relative measure, however. Taking detailed income data up to 2022-23 and updating this with known trends thereafter, the Resolution Foundation finds that only the bottom 20 per cent of the income distribution saw any real income gains in the latest parliament. Everyone else was hit harder by

The party needs to avoid new regulations that undo Conservative efforts to foster enterprise

high inflation. And rather than the poor being hardest hit in their pockets by the earlier austerity years, income gains were higher for poorer than richer households.

Over 14 years, real disposable income gains towards the bottom of the income distribution of non-pensioners were around 10 per cent – itself a paltry figure. But they were truly terrible for middle-income and richer households, with gains close to zero.

With the largest gains coming despite working-age benefit cuts, an important question is – what was going on?

To a large extent it was that employment growth was strong so private incomes rose while benefits declined. Perhaps this was the effect of tough love in the benefits system forcing people to get a job. But these are remarkable numbers and there has been something of a conspiracy of silence in the research world in explaining them.

Whatever the cause, the data carries a warning to Starmer. The outcomes for working-age household incomes since 2010 – low average growth skewed towards the bottom end – is exactly what you might expect a left-leaning government to produce. People hate it.

So Starmer’s mission to create growth and wealth must be Labour’s first, second and third instinct. They do not have to go full Peter Mandelson, delighting in people getting “filthy rich” so long as they paid their taxes, but growth needs to come well before concerns about distribution.

This means working with the Bank of England and Office for Budget Responsibility to run as high pressure an economy as possible without reigniting inflation. It means sweeping aside planning regulations with a willingness to err on the side of building rather than conservation. It means encouraging people to move jobs, which probably involves more stringent rights for workers to foster individual risk taking.

It means getting much closer to the EU’s regulatory realm and demonstrating that the UK is open for business. But it also means avoiding new regulations that undo Conservative efforts to foster enterprise. None of this is easy.

There is unlikely to be one silver bullet. We do not understand the causes for the UK’s growth malaise sufficiently to know exactly what works. But we do know that people are much happier getting a fair share of a growing pie than fighting over the non-existent proceeds of stagnation.

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Starmer should play prosecutor on Brexit

BRITAIN

Robert Shrimley



After the Conservatives returned to power in 2010, the new chancellor developed a simple but brutal political strategy. In every speech or interview George Osborne blamed Labour for the financial crisis, the UK’s subsequent economic plight and the austerity he argued it necessitated. You can debate its honesty, but the tactic was highly effective. The Tories remorselessly and successfully prosecuted a case against their predecessors for more than a decade.

Barring the most extraordinary shock, Labour now has the chance to return the favour. Naturally, Keir Starmer wants to look forward but there is an exception to be made. As England’s former chief prosecutor, he has one last case. Labour should commission an audit of Brexit and, in true Osborne style, relentlessly apportion blame for its conclusions.

Given the modesty of his ambitions for closer relations with the EU and his desire to win back Leave voters, Starmer chose not to make this an election issue. But once victory is secured he must hammer the point home. This need not be part of a covert

plan to ease the UK into rejoining the EU or single market. Starmer cannot renege on his pledges not to do so – though clearly this gambit would serve that purpose in the longer term.

There are good political and economic reasons for commissioning a thorough official review of the impact of Brexit. The first and simplest is that it has not been done. Respected think-tanks have examined it and the Office for Budget Responsibility has estimated the overall effect on trade and GDP. But there has been no comprehensive government study to examine the consequences, sector by sector and region by region. Nor has there been a cost-benefit analysis on the impact of regulatory divergence on various sectors. The Conservatives had no incentive to do it – they did not want to hear the answers. But it is quite an omission.

This leads to the political case. Politicians often make the mistake of giving up the fight once they have won. But few victories are eternal. Many prominent Leavers are already arguing that the failures are not their fault because the process was sabotaged by its opponents. The “Remainers’ Brexit” excuse is akin to the old hard-left defence of communism: it has not been properly tried.

So the audit would clarify that Britain’s Brexit was very much the Leavers’ model, one of the cleanest and hardest options imaginable and the one demanded by the most hardline Tory Leavers as well as Nigel Farage. Labour should ensure they are made to own a project that voters increasingly see as a



mistake. The political value is made obvious by just how little Rishi Sunak has wanted to talk about the party’s flagship policy in this campaign.

Given Farage’s expected success in this election, it is even more important to remind voters that “these are the people who brought you Britain’s botched Brexit”. Naming and prosecuting the “guilty men” is essential to Labour keeping Reform UK down.

But not all arguments are about low politics. Brexit has had real-world impacts on almost every industry; its full effects are still not felt because the UK continually delayed introducing its own regulatory checks. The government and the country need a full understanding of how business sectors are adversely impacted. If Starmer

He could commission an audit and, in true Tory style, relentlessly apportion blame

is to secure even incremental improvements, he must first understand what is needed.

The inverse is also true. Ministers need to understand where any advantage has accrued or damage would be done by realignment. Where Brexit freedoms have thrown up genuine opportunities, they must be seized more emphatically.

There is little to suggest the OBR’s assessment of the 4 per cent hit to GDP over 15 years is badly wrong. But once you examine the detail, the picture becomes more nuanced and complex. Brexit is more a slow puncture than a blowout. In every industry there will be winners and losers.

A recent report by UK in a Changing Europe showed a significant hit to trade in goods by volume, with the UK becoming more reliant on the EU as other exports fell (not solely because of Brexit). But it also showed that service exports have held up well: the UK still enjoys a significant global reputation and it is possible the EU trade agreement left loopholes for businesses

to find a way round the restrictions.

Against this, recent data from the Department for Business and Trade shows a fall in the number of foreign direct investment projects in the UK, down 6 per cent on last year and 31 per cent below the pre-Brexit peak.

An audit cannot ignore political benefits. Brexit delivered the promised control over EU immigration, even if critics argue that the Tories did not use those powers wisely. In economic terms the move to join the Trans-Pacific Partnership (CPTPP) will do little to boost GDP but there are diplomatic advantages.

For many Rejoiners, such a report will be the starting gun for a new campaign to push Labour towards a return to the EU orbit, perhaps in a second term. This may be a reason for Starmer to be uneasy about reopening an old wound, studiously avoided in the campaign.

But Brexit was the most momentous political event of the last 50 years. It might be nice if the government had a detailed sense of how it is working out.

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Stifling China’s green energy boom would be a disaster

WORLD AFFAIRS

Adam Tooze



Since the Biden administration passed the Inflation Reduction Act in 2022, we have been worrying about a green industrial subsidy race. Talk about Chinese “overcapacity” has perpetuated that narrative. Competitive subsidies may entail a waste of real resources and taxpayers’ money. Tariffs on solar panels and electric vehicles risk spilling over into a wider trade war.

But what if, over the next 12 months, the three main protagonists – the US, China and the EU – call it off? Though it is carried forward by powerful technological innovation and declining costs, the green energy boom may prove less robust than many of us hope.

The EU has to renew the Next Generation EU commitments beyond 2026 to

prevent the support offered to the Green Deal drying up. Following the European parliament elections in 2019, the direction of policy was clearly green. After the EU elections last month, with the shift to the right, that is no longer the case. The French legislative elections are likely to reinforce the turn against an accelerated green policy. Marine Le Pen’s camp are not climate sceptics like Donald Trump. But one of the Rassemblement National’s firmest promises is to lower the price of diesel for its van-driving constituency.

If Trump is elected in the US, he has promised to gut Joe Biden’s energy transition subsidies. The Biden team anticipated this and made the subsidies so friendly to industry that a business lobby is already rallying to their defence. But the difference between genuine energy transformation and greenwashing is a fine one. By tweaking administrative regulations, the IRA could be turned into a subsidy engine for pet projects of the oil lobby, such as dirty hydrogen.

If Biden is re-elected, the US will stay the green course. Yet, barring a miracle,

there is little or no hope of a congressional majority for new climate legislation. The IRA is the best we can hope for.

But the significance of what happens in Europe and the US is dwarfed by the decisions that Beijing has to make in the next 12 months. China emits more greenhouse gases than Europe and the US put together, and its green energy investment in 2024 is larger than that of

Do Beijing’s planners have the courage to throw their weight behind the startling pace of business transition?

either Europe or the US. China’s green energy investment in photovoltaic technology, batteries, new energy vehicles and long-range ultra-high voltage transmission is the first to achieve the scale at which it truly begins to transform the economic landscape as a whole. In 2023, according to calculations by the CREA think-tank, green energy investment

was the single largest driver of China’s economic growth.

Between now and the spring of 2025, China has to formulate its new commitments to decarbonisation under the Paris climate accords. The question is whether Beijing’s planners have the courage and conviction to throw their weight behind the startling pace at which China’s businesses are driving the energy transition, or whether they retreat to a more cautious line.

As Lauri Myllyvirta, one of the west’s leading China energy experts, has noted, there is a worrying gap between the pace of change achieved in the past few years, and the future vision seemingly favoured by Beijing’s top energy bureaucrats. Whereas China’s solar and wind industry installed almost 300GW of new capacity in 2023, its National Energy Agency envisions a future build-out of barely more than 100GW a year.

To explain its caution, the NEA points to the need for more co-ordination in green energy investment and more smoothly operating pricing systems to make a renewable system reliable. These are problems familiar in the west.

But if they were to stifle China’s world-changing green energy boom, it would be a disaster of historic proportions.

The extraordinary pace of China’s green energy investment in recent years may trigger defensive reactions in the west. But it is our best hope of actually achieving climate stabilisation in time to stave off planetary disaster. Faced with the urgency of this task, to think in terms of balance of equilibrium is tantamount to a soft form of climate denial. It will make the challenge of achieving neutrality before 2060 even more daunting. And in so doing it undermines the credibility of commitment, which is fundamental to building a broad-based coalition around decarbonisation.

In 2008-09, China’s heavy-industrial stimulus carried much of the world’s growth and took global CO₂ emissions to new heights. On the decisions of the next 12 months hangs the question of whether the country will carry the momentum of global green growth in years to come.

The writer is an FT contributing editor and writes the Chartbook newsletter

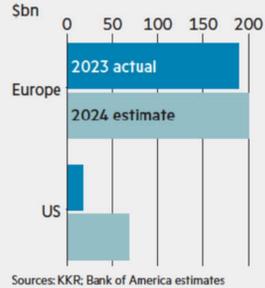


Stephen Foley
Court case will put McKinsey's partnership doctrine to the test
INSIDE BUSINESS

Beware the rise of shadow banks that gobble up risks



SRTs have mostly been a European product but that is changing



The private capital manager's best friend these days has become the bank regulator.

Tightening standards on capital requirements and risk-weighted assets is forcing deposit-taking institutions to make tough choices on their balance sheets. Waiting in the wings are the Masters of the Universe. Private capital firms have, for example, been acquiring loan books or injecting equity directly into banks in order to take advantage of the turmoil in the banking sector.

Alternative asset managers have another more exotic trick up their sleeves – "significant risk transfers" (SRT). In an SRT, a bank earns capital relief by shifting the risk of some set of loans to a private capital counterparty. Often, in a "synthetic" deal, the underlying loans stay on balance sheet but through the use of derivatives the loss risk is shifted.

In one such SRT, Blackstone's hedge fund unit has taken on exposure to so-called "subscription lines" – borrowings that temporarily fund the equity portion of leveraged buyouts.

While risk is being transferred in SRTs, so is reward. Private capital firms then get the upside of these lending activities, perhaps enhanced

by leverage. In benign environments, the returns that these opportunistic private capital firms earn get the attention. What is less understood for now is how any ultimate losses will filter through the financial system.

Banks should be wary of carrying risk due to their high leverage (assets to equity of 10:1 or more) and deposits that are unstable in times of stress. Asset managers theoretically solve those two challenges, albeit with a higher cost of capital.

SRT trades have traditionally been more popular in Europe, according to data from Bank of America compiled by KKR. But the US is catching up quickly, amid unease among regional banks and the effects of the Basel endgame reforms, which could boost capital requirements for US banks.

If banks themselves are offloading assets to meet heightened risk weights, the question becomes why are they even originating credit when the ultimate holder is some third party not facing similar constraints. Banks can still generate fees from customers but it is unclear if that is enough to generate a healthy return on equity capital without net interest income. Policymakers are directly or inadvertently fuelling the rise of the asset manager lender, the consequences of which are not known.

Regulatory wrangling on English and Welsh water will please no one

The negotiations between the English and Welsh water companies and their regulator over investment terms for the next five years are always frothy. Rarely, though, does attention spill beyond the industry. Not this time.

Water watchdog Ofwat will next week deliver its "draft determination", setting the returns it believes investors should be able to make for 2025-30. A final decision is due in December.

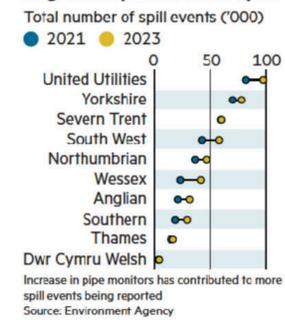
Investor expectations going into the process are low, judging by a Barclays survey. But Ofwat chief executive David Black knows he has to ensure the regulatory regime is sufficiently attractive to attract both debt and equity investment to the industry. That will be tough, not least because of Thames Water's dire predicament. Addressing sewage spills and ensuring the network can meet population and climate pressures will require record spending. Companies have proposed total capital expenditure of £45bn.

That will be funded upfront by companies through a mix of equity and debt, while customers in effect pay through their bills in instalments. Also added to customer bills are what Ofwat judges to be efficient operating costs and an allowed return on capital.

Water companies have suggested bills will need to rise by more than 32 per cent on average, excluding inflation, from 2025. That is a tough sell amid anger over sewage discharges.

In December 2022, Ofwat estimated

All water companies in England reported more spills



an allowed return on capital of about 3.29 per cent in real terms, based on a cost of equity of 4.14 per cent and cost of debt of 2.6 per cent. The cost of equity will probably come under scrutiny as it requires an element of judgment by the regulator, says industry consultant Martin Young.

Given that ordinary savings accounts at present offer higher interest rates, Ofwat will have to revise up its cost of equity estimate. Barclays' survey suggested investors were looking for more than 5 per cent.

It is inevitable that investors, consumers and environmental campaigners will not be satisfied. That is fine. Ofwat's balancing act this time, however, is to do enough to maintain trust in the overall regulatory model.

A similar model is planned to fund nuclear plants and supports energy networks. A breakdown in investor faith would leak well beyond water.

Amazon would do better to let China rivals Shein and Temu just flame out

Amazon is no stranger to competition. From Walmart to Shopify, plenty of companies have tried to take on retail's 800-pound gorilla. Few have emerged as a formidable challenger.

Until now, with the explosive growth of Shein and Temu over the past two years.

Shein sells inexpensive but trendy clothing. Temu, whose products include household goods, apparel and toys, is more like a digital dollar store. The two have been able to undercut US rivals by delivering cheap goods to Americans straight from factories and warehouses in China.

The pair's rapid rise – each now commands a 1 per cent share of the US ecommerce market, according to Bernstein Research – has forced Amazon to sit up and take notice.

It defensively wants to emulate Shein's and Temu's low-cost business model with a direct-from-China discount marketplace of its own.

This seems a terrible idea. Since launching in the US in September 2022, Temu – powered by big-ad spending – has shot to the top of the app stores. While parent PDD Holdings

How worried should Amazon be about Temu and Shein?



does not break out Temu's financial performance, Temu's global gross merchandise value – the total of all goods sold – reached \$17bn last year and could grow to \$40bn this year, says Bernstein.

However, that growth has come at a cost. Shipping \$10 dresses from China to the US for free adds up.

One estimate puts Temu's cost of shipping and handling per package at about \$11. Between that and the billions spent on marketing, Bernstein thinks that Temu made an operating loss of \$4.6bn last year. This does not look sustainable.

Amazon, with its 40 per cent market share of the \$1.1tn-a-year US ecommerce market, should sit back and watch Temu burn its money on user acquisition and logistics.

Moreover, while Amazon's massive warehouse and logistics network in the US throws up serious barriers to entry to new rivals, it has a more modest presence in China. It will struggle to match Temu and Shein in terms of logistical efficiency there. Amazon will also have to compete against the pair in attracting a large low-cost merchant base from which to source goods.

Then there are regulatory hurdles. Regulators in Europe and the US are looking to crack down on the *de minimis* rule that has allowed Temu and Shein to send (in small scale) cheap goods overseas tariff free.

This makes the timing of Amazon's new direct-from-China venture odd.

With Amazon facing antitrust lawsuits on both sides of the Atlantic, better to let Temu and Shein flame out in a bid for market share rather than join them in a race to the bottom.

EQT deal can help Keywords beat Aim in the video gaming roll-up

Will AI be able quickly and cheaply to develop video games? EQT is not persuaded. The Swedish PE group has struck a deal to buy Dublin-based Keywords, valuing the Aim-listed group at £2.2bn. The services group's stock has been under pressure from the AI threat. The 67 per cent premium on offer from EQT suggests it thinks its potential is overblown.

EQT has got a good price. Even the highest price discussed of £25.50 per share in May was below Keywords' 2021 peak. The final offer came in lower at £24.50. That reflected a downgrade in Keywords' prospects: it said organic growth in the first half was negative. It also reflected that one of the UK's last remaining gaming stocks had run out of strategic road on Aim.

Keywords' slowdown has more to do with makers pushing development budgets into the future than AI. Last year was tough: the US writers' strike put productions on hold and organic growth slowed to 6 per cent. Until EQT arrived in May, the stock had fallen 60 per cent from the 2021 peak.

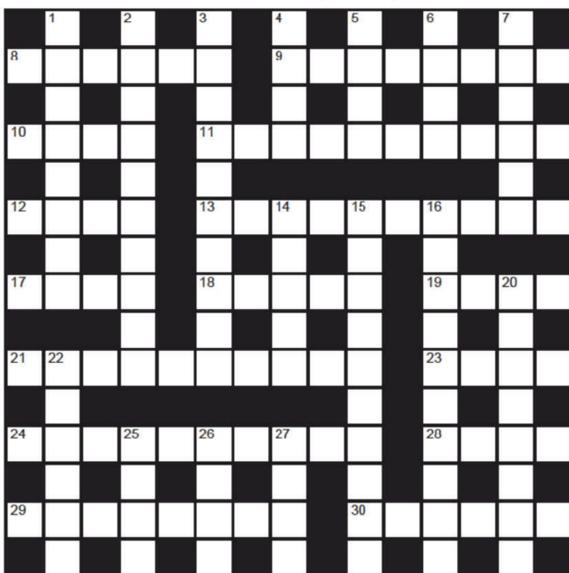
Keywords had relied on its high valuation to continue a roll-up strategy. It had hoovered up more than 60 bolt-on businesses since 2015. Its bid to consolidate the sector was easier when its shares were trading at a 40 times multiple of forward earnings in 2021. That had sunk to 10 times before the bid. In part that is down to troubles on the UK's small-cap market, which is trading at a record discount. EQT's offer, pitched at 22 times 2025 earnings, is still below the average since listing in 2013.

Shareholders are unlikely to complain. Without a solid valuation, Keywords' strategy seems a non-starter. There is plenty to go after: Keywords is the biggest provider of services to games makers but its share is estimated at just 6 per cent globally.

Given the cold shoulder from the stock market, private ownership looks the best way forward. Extra capital from EQT should get the roll-up strategy spinning faster. If AI is going to change game outsourcing, Keywords will have the financial power to lead, not follow.

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Solution 17,778



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JOTTER PAD

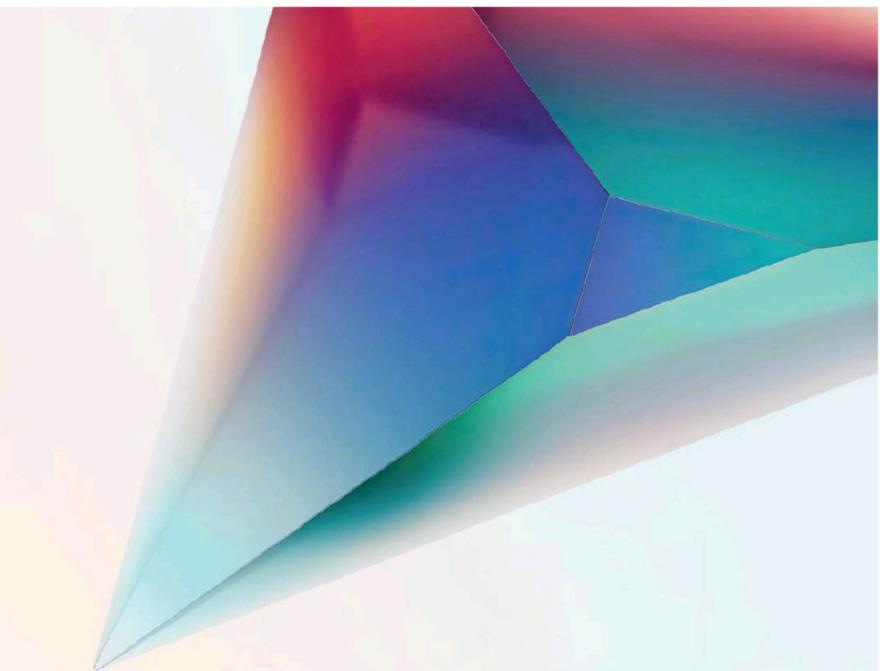
ACROSS

- For example, boring dead papal ambassador (6)
- Cartoonist changed main schedule around (8)
- First of collected poem's defining set of principles (4)
- Opinion fools fellows in street (10)
- Going round Australia navigational tool breaks (4)
- Meat and two veg, possibly a student's preoccupation (4,6)
- That girl's old pin-up, perhaps (4)
- On iron rule seek info (5)
- Singer being part of loyal toast (4)
- Select pine fixed plague (10)
- Fit for forfeit (4)
- Non-clerical staff could cause rare delays (3,7)
- Gossip about bowler, perhaps (4)
- Chaps pledge their habit (8)
- In an honest way individual set about exercises (6)

DOWN

- Go off school during meeting (8)
- Fountain transforming rawest long face (10)
- One would fly past senior Communist officer (3,7)
- Bulk of male beast of burden (4)
- Where to stay on archaeological works? (4)
- Appropriate mate beginning to mature (4)
- Nothing in beers provides subjects to discuss (6)
- Playing endless jazzy soul for a hoot (2,3)
- Local retailer controls the dance market? (6,4)
- Real impact of blue organisation? (10)
- Wine of the highest quality flooded large bit of octopus (8)
- Inlay, say, from the Spanish bearing reputation (6)
- Danger of body search fellow neglected (4)
- Mature French impressionist endlessly set up (4)
- Attention given to Liberal peer (4)

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