

**POLITICS** P10  
How will we  
fill the hole in  
our finances?



**COMPANIES** P21  
A pub play  
with plenty  
of potential



**PLUS**  
Prepare for  
pricier food  
**ANALYSIS** P22



# MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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## Trade block

A new era of protectionism  
Page 18



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## From the editor...



Over the past two decades, US consumers have propped up the world economy by buying things they don't need with money they don't have. But have they now run out of steam? In the last few weeks they have used up the excess savings stemming from the Covid era (see page 5) and it now appears that years of dearer money and price rises are taking their toll.

At the top end of the income spectrum, demand for a key necessity is softening. Luxury group LVMH said this week that it was grappling with a "severe demand issue in Champagne", apparently because the world is in a dismal state and nobody feels like celebrating. But American consumers becoming more cautious have also contributed to a dip in sales at drinks giant Diageo, which specialises in pricey spirits (see pages 6 and 15).

### Urge to splurge purged

Meanwhile, frozen potato-chip supplier Lamb Weston highlights softening demand in global restaurant traffic and frozen potatoes. The group's "french fries represent a minor-splurge purchase for consumers across the income spectrum", as The Transcript newsletter points out. The urge to splurge, it seems, has been purged. Prices often remain stable, or fall a tad, during downturns, but looking beyond a possible US slowdown, signs of



A lack of rain in Vietnam has propelled robusta prices to a record high

*"There are several signs that we are leaving the disinflation of 1980-2020 behind"*

structurally high inflation are mounting. David reminds us why the secular trend in food prices is upwards, and what to do about it (see page 22). Breakingviews, furthermore, notes that both the main types of coffee bean, arabica (the premium version) and robusta (used in instant coffee), are likely to suffer shortages.

Thanks to climate change, 50% of the land best suited to producing the arabica bean will no longer be fit for purpose by 2050. In less than 20 years, demand will exceed supply by 35 million bags. In the meantime, sporadic droughts will boost prices. A lack of rain in Vietnam, which accounts for 40% of the world's robusta, propelled prices to a record high earlier this year. And while getting going in the morning is likely to become ever more expensive (Champagne won't be cheap enough to be a satisfactory substitute),

there are other signs that we are leaving the disinflation of 1980-2020 behind, as Gavekal's Anatole Kaletsky points out. Corporate concentration and regulation are boosting companies' pricing power (see also page 17).

The global upswing in defence spending, "combined with demographic demands for pensions and healthcare, will result in fiscal pressures even more extreme than the 'guns and butter' policies that triggered the inflation of the Vietnam war", he says. The likely fracturing of the globalised economy into competing rather

than co-operating blocs will also raise prices, as Philip explains on page 18. If the US tries to weaken the dollar too, US price levels should rise (see page 4).

It's all the more important, then, to benefit from the inflation of assets likely to rise in these circumstances. Beyond commodities and gold, value is a better bet than growth. The Halkin Letter notes that the valuation gap between the domestically focused FTSE 250 mid-cap index and the blue chips is starting to close, with the former index at a two-year high. The trend points to a reduction in the "risk premium" the UK has carried in the past few years. That sounds worth toasting with Champagne, coffee – or even a pint: see Rupert's latest idea on page 21.

**Andrew Van Sickle**  
editor@moneyweek.com

### The value of an Olympic gold medal

At this year's summer Olympics in Paris, 10,500 athletes across 32 sports in 329 medal events are competing for the ultimate prize – the gold medal, says Anthony DeMarco in Forbes. The 2024 gold medal, as won by Britain's Tom Pidcock (pictured), who came first in the cross-country mountain bike event on Monday, is worth around \$950, based on the spot values of the metals it contains. That makes it probably the most valuable of any Olympic gold medal and \$242 dearer than the gold medals awarded at the 2012 London Games. The Paris gold medal is made from 505 grams of silver, 18 grams of iron from the Eiffel Tower and just six grams of gold (used to plate the medal). Had it been made entirely of gold, each medal would cost around \$41,161.50 just in terms of materials, based on the spot price. That the medals were designed by French luxury jewellers Chaumet – better known for producing tiaras for royalty – no doubt also adds value. As for the value of the effort that went into winning one, that's priceless.



### Good week for:

The **Marvel Cinematic Universe** has returned to form following recent disappointing outings at the box office. *Deadpool & Wolverine*, the new, third instalment in the *Deadpool* franchise, starring Ryan Reynolds and Hugh Jackman (pictured), raked in \$205m in its opening weekend in the US, the eighth-best debut of all time, says Variety. The blockbuster made \$438m globally.

Irish author **Ferdia Lennon** has won the 2024 Waterstones debut fiction award, which comes with a £5,000 cash prize, for his novel *Glorious Exploits*, says The Bookseller. The book is set in 412BC Sicily and follows two locals and a group of captured Athenian soldiers as they stage Euripides' tragedy *Medea*.

### Bad week for:

Bookkeepers at **Birmingham City Council** are having to complete the bankrupt local authority's accounts by hand due to the "botched implementation" of a £38m accounting system, says The Times. The city council, Britain's biggest local authority, had to hire a team of 26 accountants "to perform emergency 'cashbook roles', which should have been automated by its new Oracle software".

**Nigel Farage**, the new Reform UK MP for Clacton, has been handed an £8,500 bill by Tony Mack, the Essex constituency's former Reform UK candidate in July's general election before he was ousted mid-way through the campaign to make way for Farage, the party's leader, says The Guardian. Mack claims Farage had agreed to refund him the money spent on his web domain, promotional material and venue hire. He ultimately ran in Clacton as an independent, winning 0.7% of the vote.



# Trump plots to deflate the dollar...



**Alex Rankine**  
Markets editor

“We have a big currency problem,” Donald Trump tells Bloomberg Businessweek. The US presidential candidate flags the “strong dollar/weak yen, weak yuan” as a barrier to a revival in US manufacturing. Since the 1990s, US Treasury secretaries have generally taken the view that market forces should determine exchange rates, says Alan Rappeport in *The New York Times*. In 1995, Clinton administration official Robert Rubin even declared that “a strong dollar is in our national interest” as it helps to reduce government borrowing costs.

## A tax on manufacturers?

Trump’s running mate, Ohio senator J.D. Vance, argues that a strong currency is effectively “a subsidy for US consumers but a tax on American manufacturers”. He wants the balance to be re-set in favour of America’s “hollowed-out industrial base”. A Trump White House would only have limited ways to weaken the currency, since interest-rate policy is in the hands of the independent Federal Reserve, the US central bank. One approach could be “to use the threat of tariffs to compel other countries... to strengthen their own currencies”.

In 1985, the Reagan administration successfully persuaded Japanese and European leaders to do just that, says Kevin Dugan in *The New York Intelligencer*. The dollar fell 40% in the wake of the “Plaza Accord” and the US trade deficit closed. Yet Plaza was a deal done among Cold War allies – a similar attempt to devalue the dollar today would instead trigger a self-defeating race to the bottom with China.

A weaker dollar would also raise prices. The Plaza deal sent US inflation above 5%.



J.D. Vance thinks the dollar is too strong

Trump’s programme of “pressuring the Fed to lower interest rates, putting up tariffs, and depreciating the dollar... are about the most inflationary things you can do”, says Jeffrey Frankel of the Harvard Kennedy School. The past few years have shown that high inflation is “politically toxic”.

Trump’s other policies directly contradict his preference for a weaker greenback, says Jonas Goltermann for Capital Economics. Tariffs and tax cuts tend to boost the US currency, as shown by the dollar’s strength during Trump’s first term in office. There is some limited scope for officials to talk down the dollar on currency markets, but not even the president of the US can set exchange rates by diktat.

Still, with US interest rates set to fall, Trump may not need to do much to achieve

a weaker dollar. Many currency analysts think that it is due a fall anyway. Trump and Vance may “be pushing at an open door”, agrees Felix Martin for *Breakingviews*. In trade-weighted, inflation-adjusted terms, the greenback has appreciated more than 30% in the past decade and is close to its richest in 40 years.

On balance, America benefits hugely from the dollar’s strength, says *The Economist*. It has helped to insulate US households from the inflationary surge that Europeans have suffered. It lowers US government borrowing costs. It does hamper exporters, but since the 1990s America has still greatly outperformed other developed economies. Vance’s attempt to “cast America as a victim of the global financial system” is “almost laughable”.

## ... and put a rocket under bitcoin

Bitcoin prices hit a six-week high after Donald Trump threw his weight behind the crypto industry, say Jack Simpson and Dan Milmo in *The Guardian*. The Republican presidential candidate told delegates at the Bitcoin 2024 conference in Tennessee that he would end the “persecution” of crypto by regulators. He also suggested that instead of selling bitcoin that is seized in police raids, the government could keep them as part of a national stockpile.

Trump’s pledge that “on day one” he will fire Gary Gensler, chair of the US Securities & Exchange Commission (SEC), drew particularly strong applause from the crowd. Gensler has described bitcoin as “primarily a speculative, volatile asset that’s also used



Trump stages a U-turn

for illicit activity including ransomware, money laundering, sanction evasion, and terrorist financing”.

Gensler’s SEC has launched more than 40 crypto-related enforcement actions since 2023. Trump used to agree with

Gensler, say Jack Simpson and Dan Milmo. In 2019 the then-president said that bitcoin was “highly volatile and based on thin air” and that “we have only one real currency in the USA... It is called the... dollar!” But he has since done a U-turn, saying

that “if crypto is going to define the future, I want it to be mined, minted and made in the USA”.

Trump is right that regulators have often unfairly targeted crypto operators, says *The Wall Street Journal*. Gensler’s SEC has sued crypto companies for violating securities laws when its own rules make compliance with those laws almost impossible.

Still, bullish talk of a “strategic national bitcoin stockpile” sounds imprudent given bitcoin’s infamous volatility. Politicians should not be in the business of picking winners. “If cryptocurrencies really are a libertarian vehicle to invest free from political vagaries, then they should trade on their own without government help.”

## Value investors avoid Thailand

The number of overseas visitors to Thailand hit 17.5 million in the first half of 2024, a rise of 33% on a year before and a welcome boost to a country where tourism makes up a fifth of GDP, says Lex in the Financial Times. Meanwhile, Chinese electric-vehicle makers are setting up shop as they seek to dodge US tariffs, providing a tailwind for local manufacturers.

Yet the local SET index has plunged by 18% over the past year. As so often before, the problem is chronic political instability, this time over whether the sitting prime minister can continue in office amid legal challenges. On a price/earnings (p/e) ratio of 17 the SET is still pricier than regional peers, which is keeping value investors at bay.

“Rattled” by divisive politics, “foreign investors have pulled more than \$3bn from local markets this year”, says Patpicha Tanakasempipat on Bloomberg. The SET is close to a four-year low, and has put in one of the worst performances of all global equity markets recently.

Thailand has long been southeast Asia’s second-biggest equity market, behind Indonesia, but rivals Singapore and Malaysia are fast catching up with Bangkok, says Eduard Gismatullin, also on Bloomberg. Singaporean stocks are up 6% this year amid a strong signalling from the banking sector, while Malaysia’s KLCI index has advanced 11% thanks to excitement over the country’s role as “an AI data centre and chip supply-chain hub”.

# Brazil walks on the wild side

Brazilian stocks rode a “wave of optimism” to a record high last year, says Marcelo Azevedo in Folha de S. Paulo. Markets were relieved that the newly installed left-wing administration of Luiz Inácio Lula da Silva had promised to keep spending under control.

This year has been trickier. In January it was apparent that US interest rates would stay higher for longer. That has squeezed emerging markets such as Brazil, which struggle to attract the attention of US-based investors when dollar bonds are already paying well. In April, Brazil’s government compounded the problem by relaxing fiscal targets, further spooking investors.

### Waning confidence

The local Ibovespa stock index has dropped by 5% this year, while the real has been among the worst-performing emerging market currencies this year. A bigger welfare budget has seen state spending rise by 6% above inflation since Lula took office, Rafaela Vitoria of Banco Inter tells the Financial Times. Brasilia has backpedalled on pledges to achieve a primary budget surplus (meaning that government tax revenue exceeds expenditure, excluding interest costs), say Michael Pooler and Beatriz Langella, also in the Financial Times.

At 76% of GDP, Brazilian public debt is already high for



President Lula has managed to placate markets in the past few weeks

an emerging economy. Brazil is in a more precarious position than its peers, Thierry Larose of Vontobel Asset Management tells Craig Mellow in Barron’s. “Debt service already eats up nearly 30% of Brazil’s state revenue, compared with 15% for Mexico.” Instead of tightening the purse strings, Lula’s first instinct has been to blame the central bank for supposedly keeping interest rates too high.

“Global investors have soured on the Brazil story”, but on an average of just 7.5 times earnings – a roughly 25% discount to the historical average – the market does contain some “deep value plays”. And, as Larose notes, “Lula has a track record of shifting pragmatically before things get out of control”.

The president may have just pulled off one such pivot,

says The Economist. Between 1 January and mid-June the real had plummeted by 17%, but Lula has since thrown his weight behind finance minister Fernando Haddad, who wants to keep spending tight. That has calmed markets, helping to spark a mini-rally in Brazilian assets in recent weeks.

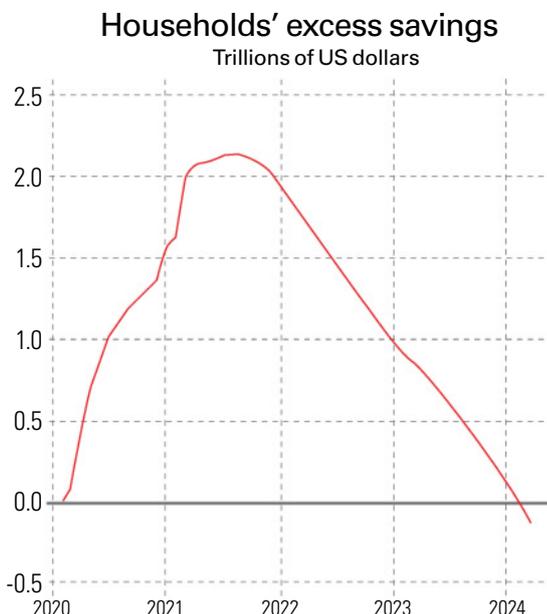
An immediate crisis is not imminent. The “central bank has \$360bn in reserves” and “almost all the public debt is in local currency”. But an economic model built on “high commodity prices” and “subsidies to favoured businesses” will do nothing to cure “stagnant” productivity or improve the “deficient” education system and infrastructure. The population is ageing and pensions already account for “44% of federal spending”. Brazil is “walking on the financial wild side”.

## Viewpoint

“The Financial Conduct Authority (FCA) [will allow] issuers with multiple share classes to list on UK exchanges more easily... [but] when the next IPO lands, investors can no longer be sure that one share will equal one vote... How did we get here? The short answer is fear... that London’s exchanges are losing the battle for tomorrow’s companies... We may only be weeks from [the first] dual-class structured company signalling its intention to float. Here are three questions to ask... One, how does the issuer justify its use of enhanced voting rights? Two, why the UK? ...There are deeper pools of capital elsewhere. If London’s embrace of [looser governance standards] seems to have been the decider, then pass... Three, who else is invested? ...With retail investors’ power over corporate decision-making already limited, it’s worth researching larger investors’ reasoning.”

Alex Newman, Investors’ Chronicle

## American consumers’ cash cushion is gone



Exceptionally generous state stimulus during Covid allowed US households to accumulate large “excess savings” (the extra amount saved above the “pre-recession trend”). With fewer ways to spend cash during lockdown, by August 2021 American households had collectively saved \$2.1trn more than they normally would have, say Hamza Abdelrahman and Luiz Edgard Oliveira of the Federal Reserve Bank of San Francisco. That huge cash cushion allowed consumers in the world’s largest economy to continue splurging despite soaring inflation. Yet as of March 2024 these “overall excess savings” appear to “have been fully depleted”. The University of Michigan consumer sentiment index hit an eight-month low in July.

Source: Federal Reserve Bank of San Francisco / US Bureau of Economic Analysis

# A formula for trouble

Household-goods giant Reckitt Benckiser's infant-formula division is likely to continue causing legal difficulties. What now? Matthew Partridge reports

Shares in Reckitt Benckiser have slumped by 9% to a ten-year low after a US court ruling that a baby formula produced by rival Abbott Laboratories had caused a little girl to develop fatal necrotising enterocolitis (NEC), a bowel disease, says Jack Simpson in the Guardian. The verdict, which saw Abbott ordered to pay \$495m (£385m) in damages, follows similar judgments against both companies over their formulae for premature babies. With Reckitt due to face its own NEC-related trial in September, investors are "waiting to see whether the company will be subject to further payouts".

The lawsuits amount to little more than a "shakedown" against both firms and their "life-sustaining formula for pre-term infants", which only makes them a few million a year in sales, says The Wall Street Journal. Experts think the causes of NEC are "unclear", with recent trials showing "that the formulas and fortifiers don't increase the incidence of NEC". But both companies may be forced "to pull their products from the market". This in turn could have "consequences for the health of premature infants", with Abbott's CEO already warning of a "public-health crisis" if the verdict is allowed to stand.

## A fanciful plan

The verdict is "close to a worst-case scenario" for Reckitt, says Alistair Osborne in The Times. Note that "litigious" US lawyers have already "lined up another thousand cases", picking jurisdictions where juries are said to be "particularly amenable to big awards". Reckitt's liability has been estimated at between £400m and £8bn. This also makes its "belated" plans, which it outlined last week, to sell off infant-formula maker Mead Johnson, which Reckitt bought for \$16.6bn in a "howler" of a deal, "even more fanciful".

The prospect of additional delays to any sale of Mead is a pity, because management's overall plans for streamlining the company are "eminently sensible", says Lex in the Financial



Enfamil, made by Reckitt's division Mead Johnson, is the subject of a trial to be held in September

©Alamy

Times. As well as selling the baby-formula division, it will get rid of the "low-growth home-care products", including Cillit Bang and Air Wick Air Fresheners, which comprised around 30% of Reckitt's £14.6bn of sales last year. It should therefore be able to keep its "power brands" – across health, hygiene and home – in a "higher-growth, higher-margin business" with £10.3bn of sales. If these plans are thwarted then it "will face renewed calls for a more radical overhaul".

Even if the legal problems surrounding the baby formula are resolved, restructuring Reckitt may take a long time, says Karen Kwok on Breakingviews. The home-care assets "won't be sold until the end of next year". What's more, Reckitt's board "hasn't said whether it will return the money to shareholders or invest in the business". Inflation is also making it harder to pass on costs to consumers. No wonder, then, that investors were "not convinced" by Reckitt's plans even before the latest setback.

## BP splashes the cash

Shares in oil giant BP bounced this week after it promised to "shower its shareholders with higher dividends and share buybacks", says Jillian Ambrose in The Guardian. Thanks to unexpectedly high profits of \$2.76bn for the three months to 30 June, BP will lift its dividend payments while buying back stock worth \$1.75bn over the next quarter. This will bring its total buybacks for the first half of the year to \$3.5bn, and \$7bn for 2024 as whole. BP has paid out a total of \$14.8bn to shareholders since June 2023.

All this good news is certainly a much-needed "boost" for BP's CEO Murray Auchincloss as he "attempts to

rebuild... confidence following the abrupt resignation of Bernard Looney", says Emma Powell in The Times. Auchincloss hopes to deliver "a simpler, more focused and higher-value company". He has set out plans to save at least \$2bn in costs by the end of 2026 and has frozen external hiring, except for frontline roles. However, investors have yet to be convinced. The company's shares "have lagged both domestic and international rivals".

BP's future prospects also look auspicious, especially since its strong results have in addition enabled it to take a "further bite out of its net debt pile, which now sits at

\$22.6bn", says Hargreaves Lansdown's Derrin Nathan. In addition, the group "has its eye firmly on high-returning initiatives", having given the go-ahead for the fully owned deepwater Kaskida hub in the Gulf of Mexico, which should add 80,000 barrels per day of production once it's up and running.

At the same time, the amount of energy sold through its growing EV-charging network has doubled so far this year. This "measured approach" leaves BP "well placed" to drive shareholder distributions, "while continuing to build out a strong position as an integrated energy company".

## Diageo needs a stiff drink

Diageo's CEO Debra Crew has warned that consumers are facing an "extraordinary environment", says Madeleine Speed in the Financial Times. The drinks group's shares lost almost a tenth after it produced its first global drop in sales since 2020. Revenue in the year to 30 June slipped by 1.4% to \$20.3bn, while the volume of drinks sold dropped by 5% as consumers lowered spending. The fall was very steep in Latin America, where net sales plummeted by 15%. While Crew thinks that Diageo will eventually "get back on track" once the consumer environment improves, this could take time, and the outlook for the next year is also "grim".

Crew has had a controversial first year as CEO, say Aimee Donnellan and George Hay on Breakingviews. While her appointment last June was hailed "as a shining example of how to hand over power", the group's share price has since fallen by 30%. Of course, she can argue that Diageo's headaches "are not excessive relative to its rivals", with Pernod Ricard's share price down 40% and Rémy Cointreau's off 54%. China "is displaying less appetite for foreign spirits" while US consumers "are reducing expensive discretionary spending". But this tough environment throws into question Diageo's long-term assumption "that richer consumers will increasingly buy pricier drinks". Crew could also have tempered the decline in Latin America if she had hiked marketing spending there rather than reducing it.

Diageo's "weak" results are "disappointing" and a reflection of the "ongoing short-term challenges facing the spirits industry", says Killik & Co's Mark Nelson. Nevertheless, overall sales of alcoholic drinks are still set "to grow at an above-GDP rate over the medium term", while spirits, particularly premium spirits, "are forecast to grow even faster". Diageo also has a "strong" portfolio of spirits brands, "attractive" emerging-markets exposure, especially in India and, in Guinness, it has "one of the few truly differentiated brands in beer".



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# MoneyWeek's comprehensive guide to this week's share tips

## Six to buy



### Kingfisher

*The Telegraph*

Kingfisher, owner of Screwfix and B&Q, has seen a fall in profits over the past two years owing to high inflation and the cost-of-living crisis. But improving household sentiment and easing monetary policy bode well for the DIY retailer. Its strong market position, improving financial outlook, low valuation, ambitious share-buyback programme and 4.5% dividend yield all make it a "worthwhile long-term investment." 277p

### J Sainsbury

*The Times*

In recent years Sainsbury's

has grappled with tough competition from cheaper rivals Aldi and Lidl, cost-of-living pressures and thin margins. But the group has been simplifying operations by scaling back its clothing division, selling its banking unit, refocusing on food, and promising investors a dividend yield north of 5%. Sainsbury's has also been winning customers with its luxury *Taste the Difference* range. The retailer has an improving market share and healthy free cash flow. The shares are on a forward yield of 5%. 270p

### Porsche

*Shares*

Porsche is facing challenges with declining sales in China, supply-chain difficulties, and unexpectedly low electric-vehicle (EV) sales. The German luxury carmaker has therefore appointed a new CEO in China and plans to roll out new models. Porsche is a "high-quality business" aiming to improve operating margins and could benefit from a shared SUV and EV production platform with parent company Volkswagen. €70

### Breedon

*Investors' Chronicle*

Building-materials specialist Breedon's first-half operating profit declined by 8% owing to weather-related problems and a lacklustre backdrop in the housebuilding sector. Yet the



group has maintained full-year profit guidance. Expansion into the US presents risks, but Breedon has a successful record of integrating acquisitions. Favourable conditions in the US and a likely recovery in UK housebuilding could boost earnings from next year. 416p

### Femsa

*Barron's*

Femsa holds a near-majority stake in Coca-Cola Femsa, the world's largest franchise bottler of Coke products and operator of Oxxo convenience stores. Despite

the stock's volatility after the departure of its CEO and Mexico's election, the bottling business is a "solid, steady grower" and Femsa is expanding Oxxo across Latin America and potentially the US. Analysts expect further growth in sales and cash flow. Femsa is also selling non-essential divisions to support its buyback programme and dividends. "Just like a Coke, Femsa's stock looks refreshing." \$108

### Arcontech

*Investors' Chronicle*

Aim-listed Arcontech provides software and bespoke solutions that collect and process time-sensitive financial-market data for clients such as Barclays and JPMorgan. Arcontech has raised its profit forecast thanks to rising revenue and lower costs. Annual sales are set to climb 6% to £2.9m, facilitating a 5% rise in pre-tax profit to £1m. More cash could provide Arcontech with "firepower to make earnings-accretive acquisitions", while potential client wins bode well too. The 4% dividend yield highlights the stock's value. 100p

## ...and the rest

### The Telegraph

Jet2's low valuation suggests it is facing tough operating conditions. However, revenue and profit rose in the year to 31 March 2024, with record passenger numbers driven by an increase in package-holiday customers. Although there was



a slight decrease in the load factor, investors should stick with the stock. Jet2's improving operating environment (thanks to lower inflation, higher real wages and expected interest-rate cuts) and "sound" long-term growth strategy imply rising sales and profits. Hold (1,369p).

### The Times

CrowdStrike's market capitalisation dropped by 25% after it was at the centre of a global IT meltdown. The US company supplies antivirus software for PCs

and laptops, boasting 15% of the security-software market and a recurring-sales model. Although a content update caused the IT failure, rather than a breach, CrowdStrike may face compensation costs, clients may turn to rivals and quarterly earnings could be hit. Nevertheless, a mass replacement of its software is unlikely, while "CrowdStrike is still one of the most highly favoured stocks in cybersecurity". It has a "huge... market, strong profitability, and deep expertise". Hold (\$263).

### This is Money

Recruitment firms Hays, PageGroup, and Robert Walters (RW) say elections and macroeconomic volatility have been depressing job activity, resulting in lower fees for placing clients. It may take some time for the market to improve due to global events. "If you already hold shares in any of these companies, you should certainly retain them for better times, but only optimists with an eye on the long-term should buy." Hold (Hays 94p; PageGroup 431p; RW 378p).

## A German view

Bermuda-based reinsurer RenaissanceRe looks a bargain, says *WirtschaftsWoche*. The stock is on just six times earnings and a price-to-book value ratio of one. It focuses on property and liability insurance, with each division comprising half the group's premiums. In the former category the combined ratio is a mere 41%, the best in the sector. The ratio for the overall company is 75.4%, while the group's return on equity is 25%. The group also has an investment portfolio worth \$30bn and recently snapped up smaller rival Validus Re for \$3bn, just 1.14 times book value. The future looks bright in an era of climate change causing more disasters: it just raises premiums when there is another catastrophe.

## IPO watch

US temperature-controlled storage and logistics company Lineage has raised \$4.4bn in its initial public offering (IPO), the largest stockmarket debut of the year so far, says Bloomberg. The company is listed on New York's Nasdaq exchange and sold nearly 57 million shares for \$78 each, near the top of its price range, resulting in a market value of \$19bn. Lineage's flotation is the biggest in the US since British chipmaker Arm Holdings last September. The IPO has also drawn interest from Norway's \$1.7trn sovereign wealth fund. Lineage has 482 warehouses across 19 countries. Although it recorded a loss of \$96.2m last year, sales rose to \$53bn from \$4.9bn in 2022.

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# Startled by a black hole

Labour claims it inherited a worse situation than it realised. Brace for tax rises. Emily Hohler reports

Rachel Reeves accused the Conservatives of hiding a £21.9bn government overspend on Monday as she set out a series of spending cuts. Later she confirmed that taxes would have to rise in Labour's first budget on 30 October. The statement was her first "big moment" as chancellor and was "principally a political moment", an attempt by a Labour government to "dollop blame" on the Tories while "serving up the first helping" of difficult announcements, says Chris Mason on the BBC.

Reeves accused the former chancellor, Jeremy Hunt, of "deliberately" lying about the state of the public finances and said she had been "unaware of the extent of the pressures of government spending before taking office".

Some of the details, such as the £6.4bn overspend on asylum costs, were a "shock even to independent economists", says The Times. There was also an extra £1.7bn in military aid for Ukraine and £1.6bn more in payments to private rail firms, says Anna Gross in the Financial Times. The biggest single component, however, was £9.4bn for public sector pay awards by "honouring in full" the 5.5% rise proposed by independent review bodies – far more than the 2% budgeted for by the last government. The government has also offered junior doctors a 22% pay rise in a bid to end strike action.

## The winners write history

The "ins and outs of where this fiscal chasm came from" are irrelevant, says John Stepek on Bloomberg. The Tories lost, Labour won, and if Reeves "says the previous government spent too much" and so "all pre-election promises are moot and the gloves are off, then that's the story that will inform what happens next".

So what will happen next? Reeves announced cuts worth £5.5bn this year,



Reeves: she has more cutting to do yet

rising to £8.1bn next year, says the BBC. These include saving £1.5bn by axing winter fuel payments for ten million pensioners who aren't receiving pension credit or other means-tested benefits, scrapping a cap on what people in England pay for social care (saving £1.1bn) and shelving major transport projects (£785m).

In terms of tax hikes, Reeves says she has no plans to raise income tax, VAT, national insurance or corporation tax, says Stepek. "No taxes on working people." The "obvious candidates for fiddling" are therefore capital gains tax (CGT), inheritance tax (IHT) and pensions tax relief. CGT and income tax may be set at the same level, while on IHT, the focus will be on estates at the higher end, which may mean looking at the treatment of IHT in pension pots or "tightening up" Business Property Relief.

Many Aim-listed stocks enjoy an IHT relief premium and may be a target. What can you do? Very little, except complete any

plans you have by 30 October. Targeting the high earners and investors "who already shoulder most of the burden – and will be expected to fund many of the major projects to which this government is committed" – while "signing blank cheques to public-sector workers" and mothballing infrastructure projects is a "curious move for a government that claims to be committed to growth and public-sector reform", says The Times. But her hints at welfare cuts are "promising".

They are, agrees Fraser Nelson in The Spectator. The UK can't afford to "extend welfare to the comfortable" (a third of all households receive benefits). "Bribing the elderly exacerbates generational inequality" and this was reflected in voting patterns – Labour was elected by younger voters. The legacy of the notorious triple lock has brought pensioner income close to that of workers. The bill continues to soar. "The brutal truth is that Reeves has more cutting to do."



Miliband: ambitious targets

## GB Energy – all hot air?

"Strikingly", Rachel Reeves' cuts did not extend to one of Labour's "favourite schemes", its new taxpayer-owned company, GB Energy, says The Economist. Last week, energy secretary Ed Miliband unveiled a new partnership with the Crown Estate – which owns the seabed around the UK – to speed up the construction of offshore wind farms.

Miliband argues that a surge in domestic renewables can increase Britain's energy security and provide clean power, say Jim Pickard and Rachel Millard in the Financial Times. There are doubts about Labour's ambitious target to decarbonise our power system by 2030 (and bring down

household bills by £300), not least due to long-standing issues about connecting wind and solar farms to the grid. Miliband has also admitted that it could take five years for GB Energy to turn a profit.

Over the course of the parliament, GB Energy will be given £8.3bn of public money to invest in green technologies, but its initial focus will be on offshore wind, say Kiran Stacey and Fiona Harvey in The Guardian. It is hoped that the tie-up with the Crown Estate will help develop an extra 20GW-30GW of offshore wind power while the large-scale public investment will help attract another £60bn in private investment.

In reality, the Crown Estate had already planned to build 20GW-30GW of additional wind power by 2030, although officials insist GB Energy's "additional funding and expertise" is needed.

The UK has the largest offshore wind capacity bar China because the government has incentivised investment with energy-price guarantees, says the FT. The risk now is not only that GB Energy replicates work already being done by the Crown Estate, but that it deters investment or triggers concerns over unfair competition. Other obstacles include a "death" of grid connections, environmental hurdles and a lack of community consent.

# Maduro clings to power

Venezuela's president is defying rebellious voters. Matthew Partridge reports

Nicolás Maduro's regime "vowed to crush a burgeoning protest movement against election results that cement his grip on power", amid growing evidence that he actually lost by a wide margin, say Kejal Vyas and Ryan Dubé in *The Wall Street Journal*. Official results have Maduro winning the election with 51% of the vote, but he has refused to release detailed data. The opposition claim that the regime has falsified the vote count and have provided evidence that they actually won by a landslide. There have been violent countrywide clashes between demonstrators and security forces.



Maduro has moved to crush the protests

normally sympathetic allies, such as Brazil, are demanding proof. But Maduro won't fade away and he remains holed up in his presidential palace, "guarded by hundreds" of military personnel and police. Most shops and businesses are closed and "fears of what might happen next linger like dark clouds over the whole of the country". There is talk of electricity cuts and food shortages.

## Dark clouds gather

The claim that Maduro won the election "beggars belief" as he "is both unpopular and incompetent", says *The Economist*. And little wonder. His predecessor, Hugo Chavez, had already impoverished a country that was once the richest in South America, but Maduro's mismanagement over the last decade has prompted about a quarter of the population to emigrate. Despite Maduro's regime banning one of the most appealing opposition leaders from running, Venezuelans "flocked to opposition rallies". Maduro, meanwhile, had to rely on state workers being bussed in. Opinion polls gave a "huge lead" to the opposition.

The failure of Maduro and the country's electoral authority to provide any evidence for his win, while the opposition claim they have evidence that they won a landslide victory, has left the authoritarian leader "with nowhere to hide", says Catherine Ellis in *The Spectator*. Even

## Joe Biden's bet fails to pay off

Even if Maduro manages to cling on to power, his supposed "election victory" will not solve his regime's problems, says Michael Stott in the *Financial Times*. Maduro's regime is shunned internationally, is under US, EU and UK sanctions, and there are legal cases pending against him and his inner circle. The current crisis "presents the Biden administration with a dilemma". Keen to "stem the flow" of Venezuelan refugees and "improve the supply of oil to global markets", Washington had "bet heavily" on getting Maduro to hold a "competitive election in return for sanctions relief". That bet now lies in "tatters".

It was "probably naive" to believe that "an entrenched dictatorship could be replaced at the ballot box", says *The Times*. Still, the international community now faces a "quandary of how best to reimpose or stiffen sanctions while enabling the flow of humanitarian aid". The regime's "sanctions-busting support" from other authoritarian states, including Russia, Cuba and Iran, are helping to keep it afloat. And "China was among the first to congratulate Maduro on his supposed victory".

# Israel raises the stakes in its war with Hamas

Ismail Haniyeh, the political leader of Hamas, who had been living in Iran, was reportedly killed by Israel on Wednesday morning, just hours after it eliminated a top Hezbollah commander in Beirut, says *The Guardian*. The two assassinations are "heavy blows" to the terrorist groups and "raise the stakes for Iran", which backs both. It may also escalate the war in Gaza into a broader regional conflict. Israel declined to confirm that it was responsible, but its intelligence services "have a history of



carrying out covert killings inside Iran". The move against Haniyeh (pictured) in particular is a "huge gamble" for Israel, says Andrew England in the *Financial Times*. Israeli prime minister Benjamin Netanyahu is no doubt

betting the strike will send a "message of deterrence to his country's enemies" and rally support in Israel after months of political turmoil. But the killings raise the stakes "to a new level" and risk "triggering the all-out Middle East war the

region has feared since Hamas's 7 October attack".

Many in the Ayatollah's high command will be "baying for blood", says Jake Wallis Simons in *The Telegraph*, and the chances of a hostage deal will "fade" in the short run. That Iran will make a serious, rather than symbolic, response is, however, "more unlikely than likely" as the anger of the regime will probably be tempered by fear – if Israel can reach a figure like Haniyeh in Tehran, "nowhere and nobody is safe". In a region where countries "live or die on the strength of their ability to cow their enemies", the security that Israel gets from the reputation of its intelligence services "is well on the way to being restored".

## Betting on politics

With £40.8m matched on Betfair, Donald Trump remains the favourite to take the White House in the US presidential election in November. However, just as the gap in the head-to-head polls has narrowed and in some cases reversed, Trump's odds have lengthened to 1.75 (57.1%), while those of vice-president Kamala Harris have narrowed to 2.5 (40%). Michelle Obama's odds are now 100 (1%), reflecting the fact that Harris is set to be confirmed as the nominee in the coming days.

I don't think that this is just a temporary bounce for Harris, more a sign that the Democratic Party, many of whom had serious concerns about Joe Biden, are uniting around her. In 2008 Barack Obama regularly trailed the Republican nominee John McCain in head-to-heads during the brutal primary battle with Hillary Clinton, only for his ratings to soar once Clinton finally threw in the towel. Harris will win then, I think, but don't bet any more on her if you've already followed my advice.

In any case, attention is now shifting to Harris's running mate. With £543,000 matched, Pennsylvania's governor Josh Shapiro is favourite at 1.52 (65.7%), with Arizona senator Mark Kelly at 7 (14.2%) and Kentucky's governor Andy Beshear at 8.4 (11.9%). Other candidates include Tim Walz at 14 (7.1%) and Pete Buttigieg at 28 (3.6%).

My prediction is that Harris will end up picking Shapiro because Pennsylvania is one state where Harris still trails Trump and is a vitally important state for her if she is to win. The impact of vice-presidential selections is usually limited, but Shapiro's high profile and positive approval rating, including from many Republicans, could end up proving decisive in a close race. I would therefore advise you to bet on him getting the nod.

**London**

**Buyback bonanza:** Banking giants HSBC and Standard Chartered launched share buyback programmes after second-quarter profits exceeded expectations, says the Financial Times.

HSBC will buy back \$3bn-worth of shares after pre-tax profit increased to \$8.9bn from \$8.8bn a year earlier, thanks to investments in less rate-sensitive sectors such as wealth and transaction banking,



and strong performances in Hong Kong and Britain. However, costs rose and net interest income fell 11%. Outgoing CEO Noel Quinn (pictured) will be replaced by Georges Elhedery in September, who is expected to prioritise cost-cutting.

Meanwhile, Standard Chartered announced a \$1.5bn buyback, its biggest ever, after pre-tax profits of \$1.6bn beat estimates of \$1.5bn, driven by growth in its wealth business, where operating income rose 27%. However, like HSBC, operating expenses rose 4% owing to inflation and business growth. The emerging markets-focused bank makes most of its money in

Asia, and CEO Bill Winters said he was optimistic about China, despite tensions between Washington and Beijing, which is likely to remain whoever wins the US election in November. Winters also aims to save \$1.5bn in expenses over the next three years by simplifying systems. Standard Chartered's shares rose nearly 6% on the news, but they still "trade at just 0.7 times tangible book value, a significant discount to regional peers, and a third lower compared with HSBC," says Lex in the same paper. A record buyback "coupled with sustained wealth earnings growth should help narrow that gap."

**Mountain View**

**Going all out on AI:** Google's parent company Alphabet reported better-than-expected earnings last week, with second-quarter revenue rising 13.6% to \$84.74bn year on year. Cloud revenue surpassed \$10bn for the first time. Alphabet also reported higher capital expenditure on data centres as the US tech giant ramps up investment in generative artificial intelligence (AI).

The results show that "after stumbling out the gate, the team is finally on [a] proper footing with AI," says Zev Fima on CNBC. Meanwhile, Facebook's owner Meta has released its Llama 3.1 AI model using an "open source" strategy, allowing developers to use and modify it for free. But it's spending a lot more than Alphabet on AI (\$120bn over the next three years), which raises concerns about how it can monetise it. Alphabet's 2005, \$50m acquisition of the Android smartphone operating system could prove an "encouraging precedent" for how generative AI can make money, says Robert Cyran on Breakingviews. Google licensed the software for free, insisting mobile phones have its online store, search, and browser pre-installed. This had regulatory pushback but "cemented the company's dominance in mobile search and underpins its \$2.1trn valuation".

**Amsterdam**

**Drugs rejected:** European drug regulators have rejected Eisai and Biogen's Alzheimer's therapy, Leqembi, citing concerns over its risk of serious side-effects outweighing its benefits in delaying cognitive decline, says Bloomberg. Shares in Tokyo-based Eisai sank 12%, the most in three years. The treatment, the first to slow Alzheimer's progression, gained US approval last year, but logistical challenges slowed its uptake. US-based Biogen had hoped for a sales boost from Leqembi as sales of its multiple sclerosis drugs have declined. Eisai and Biogen now face a blow to their global sales expansion plan. The European Medicines Agency's human medicines committee noted frequent swelling and potential bleeding in the brains of patients who had received the drug. Eisai and Biogen both said they

were "disappointed" by the decision and would seek a re-examination. Biogen's drug has been approved in multiple countries, while Eli Lilly's similar Alzheimer's treatment was recently cleared in the US.

Meanwhile, England's healthcare spending watchdog, the National Institute for Health and Care Excellence, has blocked the NHS from providing the Enhertu drug for advanced breast cancer. The decision was attributed to British-Swedish AstraZeneca and Japan's Daiichi Sankyo not offering the drug at a low enough price. Enhertu costs £117,857 for a course of treatment, although the NHS can access it for an undisclosed, discounted price.

**The way we live now... the scourge of the suitcase riders**

Airports are not impressed

Tourism in Japan is booming this year thanks to the weaker yen making the country more affordable for foreigners. More than 14.6 million tourists visited Japan between January and May, with a record 3.1 million in March alone, says Lionel Lim in Fortune. Foreign guests spent ¥1.75trn (£9bn) in the first quarter, making tourism Japan's second-largest export.

One less welcome trend is the use of motorised suitcases, leading to Japanese authorities cautioning against their use in public spaces, says Tim Hornyak in The Guardian. Two

major Japanese airports have already banned them, while police are urging retailers to inform customers about the regulations surrounding their use.

These suitcases, popular with celebrities such as Paris Hilton, are similar to children's suitcases and are powered by lithium-ion batteries. They are classified as "motorised vehicles" in Japan, requiring safety equipment and a driving licence. In Osaka, a woman was referred to prosecutors after allegedly riding a three-wheeled suitcase on a pavement. The case has been used to highlight the need for clearer regulations.

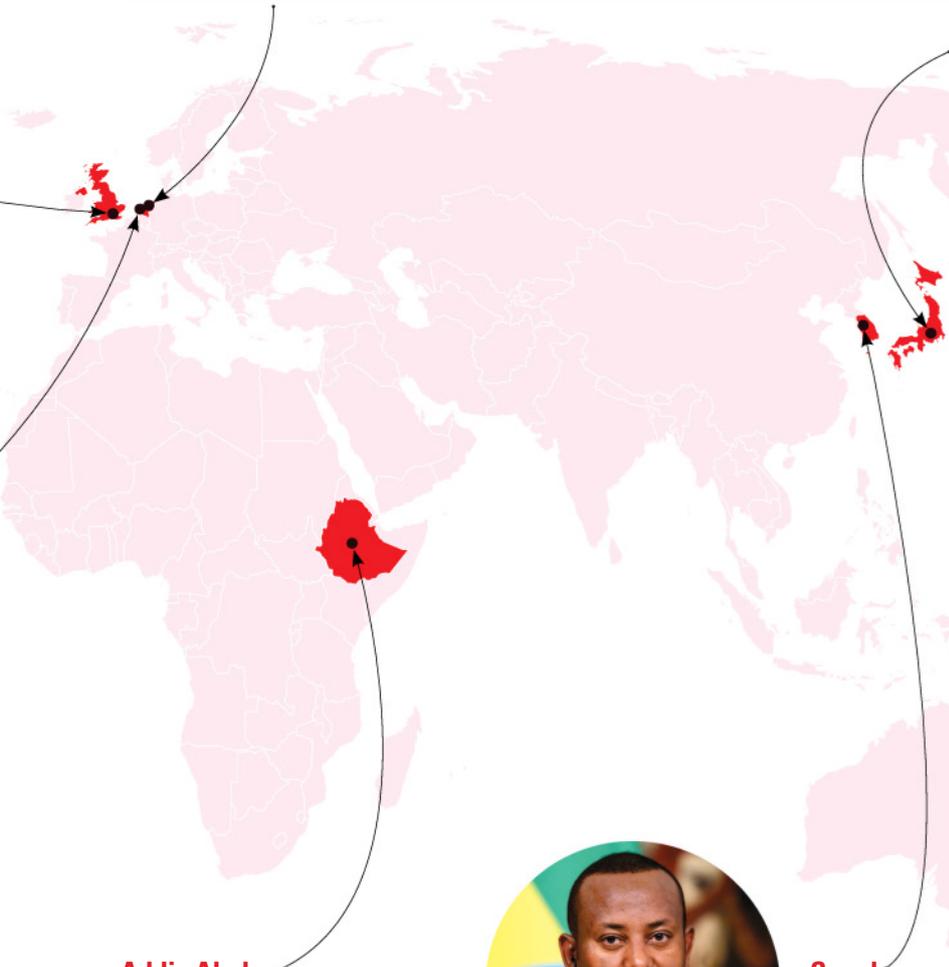
## Hilversum

**Music stops for UMG:** Shares in Universal Music Group (UMG) fell 30% as a result of slow subscription and streaming revenue growth, says Cagan Koc on Bloomberg. The world's biggest record label, home to artists such as Billie Eilish, Taylor Swift and Drake, reported a 6.9% increase in subscription revenue for recorded music in the second quarter, falling short of the 11% expected. Despite a 12th consecutive quarter of revenue growth, reaching €2.9bn between April and June, the Amsterdam-listed company faces concerns about its growth trajectory. UMG, backed by Bill Ackman's Pershing Square and French media firms Vivendi and Bolloré, is pushing for platforms to compensate artists fairly and for a new streaming royalty model. UMG, which was spun out of Vivendi and went public in 2021, is hoping to find €250m in annual savings by 2026. While UMG, Sony Music, and Warner Music benefit from subscription price hikes by streamers, excessive increases risk alienating customers, says Pierre Briançon on Breakingviews. Analysts are confident the company is on a healthy growth trajectory, and UMG may take solace in the near-10% growth of physical music sales, including vinyl records. "But that's only 16% of recorded music revenue, and even Swift's or Billie Eilish's hit records won't enable [Universal] to shake off" the share price plunge.



Billie Eilish is a hit for UMG

©Getty Images



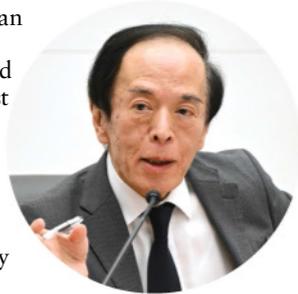
## Addis Ababa

**Birr floats:** Ethiopia's currency, the birr, fell 30% against the dollar after the government of Abiy Ahmed (pictured) reversed its long-standing policy of a fixed exchange rate, say Andres Schipani and David Pilling in the Financial Times. The float is designed to "ease chronic foreign currency shortages and attract foreign investment" as a "prelude" to securing a \$10bn loan from the World Bank and IMF, which had insisted on reforms. Ethiopia's managed exchanged rate system had led to a severe shortage of dollars critical for imports and the repatriation of profits by foreign investors, while the central bank cited the rise of an "unanchored" parallel market, where the dollar was trading at double the official rate, as a reason to act. Similar devaluations in the past have led to "sharp" increases in the cost of food and other items due to the currency's weaker purchasing power on the international market, says the Ethiopian Observer. The country, which defaulted in December, is "struggling" with high debt, unemployment and ongoing regional conflicts following a brutal civil war that ended in 2022.



## Tokyo

**BoJ raises rates:** Bank of Japan (BoJ) governor Kazuo Ueda (pictured) surprised markets by raising interest rates from between 0% and 0.1% to 0.25% – the second rise this year – and by announcing a plan to taper Japanese government bond (JGB) purchases. Together, they represent "an aggressive move that signals the central bank's growing confidence in the recovery of the domestic economy", says Mitsuru Obe on Nikkei Asia. A rate hike had not been expected before September or October as real wages (adjusted for inflation) are only forecast to turn positive this month. Inflation has outpaced wage growth for two years, contributing to lower personal spending, which has weighed on the economy. However, it is the yen's weakness that is thought to have been the main reason behind the BoJ's decision, despite Ueda's claim to the contrary. The US Federal Reserve "jacked up" policy rates by 5.25 percentage points between 2022 and 2023, leading to an outflow of capital from Japan and leaving the yen at its weakest against the dollar in 37 years. Monthly purchases of JGBs by the BoJ will also fall to ¥3trn (£15.5bn) by 2026 from ¥6trn at present. The BoJ holds ¥576trn worth of JGBs – 53% of outstanding government debt.



## Seoul

**Too much traffic:** Hyundai, South Korea's biggest carmaker, is "enjoying a moment in the sun", says Katrina Hamlin on Breakingviews. Its record-high KRW4trn (£2.3bn) in earnings last quarter sets it apart from its peers General Motors, Ford and Tesla, all of whom reported "lacklustre" results. But while Hyundai offers "respite from the doom and gloom" in the industry, investors are struggling to "dismiss fears [it] will succumb to the problems plaguing [others]". As for Japan's carmakers, they are seeking safety in numbers. Mitsubishi is joining the alliance of Honda and Nissan, Nikkei Asia reported. "There is reason to be excited." Combined sales reached eight million units last year and there is scope for "significant" economies of scale in research, development and the sourcing of costly components, such as batteries. Mitsubishi, "the minnow of the alliance... has the most to gain from linking up with larger rivals". Another option is to seek less congested markets. China's Hozon has become Thailand's second-biggest EV brand behind BYD. Expanding there, in Indonesia and other southeast Asian countries is the "selling point" for its planned Hong Kong listing. But building brands and factories overseas is expensive for potential "spoils [that] seem small".

# Sid is left out in the cold

A plan for a "Tell Sid"-style campaign to revive interest in share ownership has been scrapped. Why?



**Matthew Lynn**  
City columnist

There was, on the surface, nothing very interesting or exciting about NatWest's results, published at the end of last week. It reported a 16% decline in pre-tax profits for the first six months of the year, mostly due to more competition in the borrowing market, and weaker margins on mortgages as customers sought out more competitive deals. Even so, it still made a healthy £3bn in profits, which was better than the market was expecting, the shares spiked upwards on the news, and at 370p are now trading at the highest level in five years. The bank also, however, spent £24m over the last year preparing a mass-market campaign to sell off the government's remaining 20% stake.

## Shareholding culture in decline

It would have been a starry media blitz. The previous government had already hired a fleet of advisers, including Goldman Sachs, Barclays, advertising house M&C Saatchi, law firm Freshfields Brukhaus Deringer and retail share sale experts Solid Solutions, and advertisements for the offer had already been filmed, featuring an avuncular looking Trevor McDonald (pictured) asking people: "Are you in?" At a total cost of £24m, the bulk of which has already been spent, it was designed to create public interest in the sale of the final tranche of shares.

Chancellor Rachel Reeves has now decided it's a waste of money and the government will get more through a straightforward series of institutional share placings instead. Perhaps it will, and the government is strapped for cash so needs every penny. Still, it is a missed opportunity. A 1980s-style popular campaign is just what the stockmarket needs right now.



Now we're all out

Over the medium term, the government may well end up losing out. Once a retail campaign was under way, interest in the bank might have picked up, sending the share price upwards, and the value of the British government's stake with it. Indeed, it might have created a virtuous circle, with tens, or perhaps even hundreds of thousands, of new NatWest shareholders using the bank's services because they owned part of the company, leading to bigger profits, and in turn a higher share price as well. That happened with some of the privatised companies of the 1980s, and it could have happened with NatWest too.

And if ordinary investors were able to make a profit, that might well have boosted

interest in the stockmarket. The level of individual investment has been in relentless long-term decline in the UK, falling from 50% of the market after World War II to just 13% today. Most middle-class families would have owned at least some shares in the major British companies 50 years ago, but now almost none do, and if they own any equities at all it is through their pension fund. True, on one level that just represents a shift in the way people invest. But it has starved companies listing their shares of a pool of loyal, long-term investors and, over time, that has meant fewer of them can be bothered with all the rules and regulations that come with it. It has broken the link between the success of the UK's firms and the wealth of ordinary people. Voters don't care if companies get hit with windfall taxes, or high corporate taxes, because they don't have any money at stake.

## A missed opportunity

A successful share sale of NatWest that created hundreds of thousands of private shareholders might have started to change that, and if some of those people got a taste for investing directly it might have helped revive the fortunes of the market more widely. If more money went into the market, especially for smaller companies, they would have had more cash to invest and, if that was profitable, their backers would invest even more. We might finally have started to create a virtuous circle of higher investment, creating bigger profits, which in turn allowed investment to rise further.

Dropping the campaign was a mistake. The government has lost the chance to boost interest in the stockmarket. Reeves keeps insisting she wants to prioritise growth above everything else. With a retail campaign she had a chance to prove she meant it. She has already blown it.

## City talk

● "Duncan Wanblad's job is not getting any easier," says Karen Kwok on Breakingviews. After fending off a bid by rival BHP, the Anglo American CEO (pictured) delivered "decent" half-year results. But a fire at a key coal mine and problems in diamonds are hindering the group's "self-help plan". The fire may hurt prospects for the coal unit: valued in line with peers such as Arch and Stanmore, it could be worth \$3.7bn, lower than the \$5bn hoped for. "Wanblad may have to compromise on diamonds too" after cutting



output guidance. A "time-pressured sale" risks a price at the lower end of a \$3bn-\$7bn range. At those valuations, the whole of Anglo is in line with the \$47bn that BHP offered.

Shares have fallen back to where they were before BHP's offer. If investors start to doubt Wanblad's plan, "they may be more receptive to a return bid from BHP when that becomes possible again in December".

● Activist investor Nelson Peltz recently bought a stake in Rentokil Initial, and now

buyout veteran Philip Jansen is said to be considering taking the pest-control company private, says Chris Hughes on Bloomberg. "What do they see that everyone else has missed?" At a likely enterprise value of £19bn, this is an "ambitious" idea that would be among the largest private-equity deals ever. Rentokil's steady cash flows can support lots of debt. There's turnaround potential in the US and growth opportunities from buying smaller companies. Still, doubts remain about how easily "sluggish" revenue growth can be fixed. "Some deals are too big, some are too brave – this could well be both. But if private equity wants to show it can run challenging

situations better, this would be the transaction to prove it."

● The events sector "went through a crisis during lockdown", but "seems to be emerging stronger than ever", says Patrick Hosking in The Times. Hence the £1.2bn bid by trade-shows group Informa for rival Ascential, which owns Cannes Lions, "the must-go venue for advertising folk". An offer of 568p per share was a 53% premium to Ascential's pre-bid price and the shares closed at 562p, suggesting there won't be a bidding war. Informa was up 4% on the news – "not the normal verdict in London when a firm agrees to part company with more than a billion in cash".

# Soft demand for top brands

Investors are becoming more cautious about paying a premium for consumer stocks in a cooling market



**Cris Sholto Heaton**  
Investment columnist

Branded consumer staples are usually seen as a very defensive sector. They tend to beat the market when investors get nervous about growth. That pattern isn't playing out as reliably as it normally does in this cycle. While a few staples firms are performing very well – Colgate-Palmolive is up 25% this year – many other stalwarts, from Nestlé to Mondelez, are not.

In some cases, the weakness is down to a specific problem (Reckitt's decision to buy Mead Johnson in 2017 stands out – page 6). In others, it's clear that firms are struggling to balance pricing power against volumes. Many have put up prices to pass on higher costs and protect margins. This kept both revenues and profits growing, but caused the volume of goods sold to shrink. You can't keep doing that for ever, because higher prices and shrinking sizes may cause shoppers to trade down to cheaper brands permanently.

However, there is another trend in play. We've also seen notable weakness in both results and share prices for spirits firms (Diageo, page 6), breweries (Heineken), beauty (L'Oréal), luxury goods (LVMH) and more. What links many of these together is not just uncertainty about consumer demand right now, but how much long-term value we should put on the power of a brand.

## The great derating

Top consumer brands produce higher and more reliable earnings, and so investors have been willing to pay higher valuations for these stocks. A compelling growth story – typically in emerging markets, where consumers buy more branded goods from snacks to toothpaste to cosmetics to luxuries as they become wealthier – also helped justify premium multiples.

## I wish I knew what a carry trade was, but I'm too embarrassed to ask

A carry trade can refer to any strategy that involves borrowing at a low interest rate and lending or investing the proceeds at a higher rate. However, when the term is used without any further clarification, it normally refers to a currency carry trade. This means that the investor is borrowing in the currency of a country that has low interest rates and investing in the currency of a country with higher interest rates.

Since Japan has had very low interest rates relative to the rest of the world for most of the last decade, currency carry trades often involve borrowing in yen. However, the euro and the Swiss franc also became

popular sources of funding during prolonged periods of negative interest rates in Europe during the past decade.

The borrowed funds are typically invested in relatively safe assets such as short-term government bonds or deposits, although they could be put into riskier assets. The US dollar is a popular choice, as are the Australian dollar, the Canadian dollar and the New Zealand dollar. Some emerging market currencies tend to offer even higher interest rates, but these trades come with greater risks.

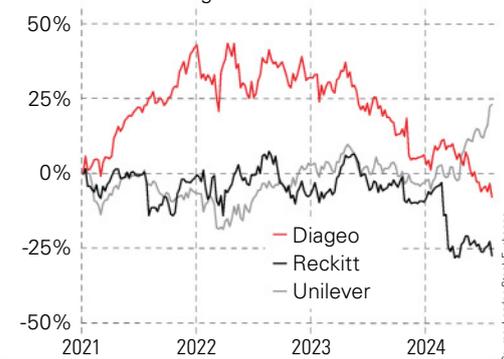
A carry trade is not a true arbitrage, which strictly means an entirely risk-free trade where you can take advantage of

discrepancies in the price of two assets to lock in a certain profit regardless of what happens. A carry trade will only make a profit when the relative value of the two currencies remains in the trader's favour.

If the borrowing currency weakens against the lending currency, the trader will make a profit on the exchange rate movement in addition to what he earns from the difference in the interest he pays and the income he receives. However, if it strengthens, he may need to close his carry trade quickly to avoid incurring large exchange-rate losses. The rapid unwinding of carry trades during periods of market turmoil may lead to abrupt currency movements.

## Diverging fortunes

Total return in sterling



Source: London Stock Exchange

Now it looks as if investors are getting a bit more wary about this. After expanding for many years – since the global financial crisis in some cases – multiples are now contracting. At the end of 2019, Diageo traded on about 23 times forecast earnings. Now it trades on under 15. The shrinking multiple has made a much bigger difference to the share price than the change in earnings. This isn't happening in all stocks, and it is far more pronounced in Europe than the US, but there is a trend towards less bullish valuations.

The question is whether that reflects investors getting unduly rattled over short-term earnings or rethinking some structural issues. Perhaps margins may have to come down for years, not quarters, to defend market share. Maybe social shifts will cause younger generations to drink fewer spirits. New anti-obesity drugs could curb demand for snack food, alcohol and other impulses. Weaker long-term growth in emerging markets would mean fewer new consumers. On the financial side of the equation, higher interest rates reduce the attraction of the steady dividends that many of these stocks pay.

Ratings do not just go one way. Unilever, which was firmly out of favour, is being rewarded with a higher multiple as markets come to trust in a turnaround. However, it seems likely that consumer stocks in general will get less of a valuation tailwind for a while.

## Guru watch

**Jonathan Ruffer,**  
co-founder  
and chair,  
Ruffer



"We have had a 40-year bull market, during which there have been only the briefest of conventional bear phases," says Jonathan Ruffer, the veteran investor whose firm runs the Ruffer Investment Company investment trust. The sell-offs – 1990-1992, 2000-2002, 2008-2009 and 2022 – were "stockmarket crashes – crevasses which, in a jiffy, do immense damage to investment returns".

"The identification of these has been the single biggest contributor to our track record," says Ruffer. (The trust has returned 6.9% per year since it launched in July 2004, below the 7.4% rate achieved by the FTSE All Share, but with far less volatility, according to Citywire.)

"In each and every one, we were too early—in 2000, it was 14 months; in 2008, it was a full two years; in 2020, it was at least two years, and this time it is 18 months at a minimum. In each case, we had correctly identified the nature of the oncoming crisis and were able to concentrate investments into the appropriate asset class."

Today, stockmarkets are vulnerable to a similar setback, where the question will be not "how fast could it drop?" but "how fast would it drop?", he says. "Each area of the markets, from the hedge funds trading small differentials with high leverage to staid old Wall Street favourites, hollowed out by the replacement of equity with debt, has no reserve armies to defend losses on the central battlefield."

Investors who have come to expect they will be bailed out by central banks will find policymakers are "powerless to come to the market's aid in the moment of its crisis". The yen is likely to soar as traders are forced to unwind carry trades.

"That means the Japanese currency can appreciate far, far above reasonable value." Meanwhile credit spreads – the gap between yields on government bonds and corporate bonds – which have "concertinaed into a tight premium" will widen.

## Scrap the two-child benefit cap

Miriam Cates  
Conservative Home

The most expensive benefit, the state pension, costs taxpayers £135bn a year (that's £3,600 per individual), yet sadly this "unconditional generosity" does not extend to children, says Miriam Cates. George Osborne "shattered" a 60-year-old social contract when he introduced the two-child benefit cap in 2017 as part of a push to reduce the size of the welfare state. But children are not a luxury. They are "quite literally" our economic future. And they will be paying for our healthcare and pensions when we retire. Today, the costs of raising children are so high that most ordinary working people struggle to make ends meet and therefore require additional state support. This is because housing costs are high, as are taxes – because they are paying for rising pension and NHS costs as our population ages. Before the welfare state, people needed children to provide for them in old age. Today, people are given an incentive not to have children and to manage their money badly (care costs will be covered in full if you have no savings). Either we accept that most parents now need state help to raise children or we reprivatise the cost of old age. "Only one of those options is politically – or morally – palatable."

## Boom times for Britain's economy

Ambrose Evans-Pritchard  
The Telegraph

As the eurozone's "fragile recovery" fizzles out, Britain has been "growing briskly all year and seems to be accelerating", says Ambrose Evans-Pritchard. It now has the "added allure of a rock-solid government with an absolute majority and Leninist discipline, committed to an expansionary investment plan as far out as the 2030s". Meanwhile, it is "hard to see" what will lift Europe out of its low-growth trap. Germany, where unemployment is rising and business failures hit their highest level in a decade, "never fails to disappoint". The eurobloc isn't in much better shape, with a "deep contraction" in manufacturing coinciding with rising inflation. New export orders keep falling as China floods markets with cut-price products. "Miraculously," the UK has, for now, "decoupled from all this trouble." The British economy was the G7's top performer in the first quarter when our trade deficit in goods and services narrowed to 0.5% of GDP, inflation slowed to 2% and business sentiment boomed. Despite "dismal" forecasts from the OECD think tank, rating agencies have "quietly" been upgrading the UK. I suspect the "basket-case" narrative may soon be dropped as Britain comes to be seen as "something of a safe haven".

## We are not a nation of shirkers

Camilla Cavendish  
Financial Times

Britain might look like a nation of shirkers, with a "staggering one in five neither working nor looking for a job", says Camilla Cavendish. But a year-long study in Barnsley, South Yorkshire, where more than 25% of working-age adults are economically inactive, finds that 70% would like to work. A major obstacle is that more than a third fear they would be "worse off financially" if they did. Changes to the benefits system in 2017-2018, which made it easier to get incapacity benefit, have led to a flood of extra claims and mean that it now "pays to be classified as permanently incapable of work". The Barnsley report "shows the madness" of a system that "assesses people once and categorises them forever". There's a big difference between the severely disabled who deserve more support and those whose "afflictions may be temporary if they can get timely help". The bill, due to hit £29bn by 2027-2028, "cripples" Keir Starmer's ability to spend on other things. This is a political as well as an economic issue, with the country "near full employment but at the limit of its tolerance for immigration". If these findings "hold even remotely true across the rest of Britain" it suggests economic activity isn't an "intractable" problem. This is "very good news".

## Just how safe is legal weed?

Editorial  
Los Angeles Times

In California, a state where the illegal marijuana market is still much bigger than the legal one, the "biggest selling point for consumers" is that more expensive legal cannabis products are "tested, regulated and safe", says the Los Angeles Times. However, a recent investigation by the Times and WeedWeek finds that this is "not necessarily true". More than 50% of products bought from shops showed above-legal concentrations of pesticides and testing revealed chemicals linked to illnesses from cancer to liver failure. Some vapes contained levels high enough to cause harm from a single exposure. This undermines confidence at a time when the legal market is "struggling". Besides the risks, the lack of proper enforcement puts businesses that play by the book at a disadvantage. A major difficulty is that the state relies on private laboratories paid by cannabis producers to test and certify their products and a "lack of stringent oversight" has let "bad actors" get away with failing to report contaminated products. Complaints are often handled at a snail's pace and product recalls happen rarely and sometimes too late. Laboratories are increasingly having their licences suspended or revoked, but it's not enough. "California has to step it up."

## Money talks

**"Yes, of course rich people like Adele [pictured] are allowed to be sad. But at a time when so many people are unhappy because of their lack of money, there's something repulsive about a really, really rich person ceaselessly bleating about the abject misery of their lives while being paid millions to do the thing they love for a living."**  
Columnist Julie Burchill in  
The Spectator



**"No part of me was thinking when *Deadpool* was finally greenlit that this would be a success. I even let go of getting paid to do the movie just to put it back on the screen. They wouldn't allow my co-writers Rhett Reese and Paul Wernick on set, so I took the little salary I had left and paid them to be on set with me so we could form a de facto writers' room... One of the great enemies of creativity is too much time and money, and that movie had neither time nor money."**  
Canadian actor  
Ryan Reynolds on sacrificing his salary to get the first *Deadpool* film made, quoted in  
The New York Times

**"What I do for my work is exactly what I would do if nobody paid me."**  
US author Gretchen Rubin,  
quoted in Forbes

**"Creditors have better memories than debtors."**  
American founding father Benjamin Franklin,  
quoted in the Milwaukee  
Journal Sentinel

**"The best part about having money is not worrying about money."**  
Thriller writer Harlan  
Coben, quoted in  
The Sunday Times

**"After we moved into our first office, we were really cost-conscious so tried to get all the team to be part of a cleaning rota. We wasted more time and effort trying to get that to work than the modest amount of money we would have ever saved."**  
Simon Oscroft, CEO and co-founder of So Energy,  
quoted in City AM

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# Neoliberalism isn't the problem

[bloomberg.com/opinion](https://www.bloomberg.com/opinion)

The age of “neoliberalism” began in the 1970s, found its apostles in Margaret Thatcher and Ronald Reagan, enjoyed its heyday under Bill Clinton and Tony Blair, and collapsed in the wake of the 2008 financial crisis, to give way to our current age of big-government interventionism and industrial policy. That’s the narrative “congealing” in the minds of historians, says Adrian Wooldridge. But the story is largely bunk.

Global free-trade began long before the rise of the neoliberals. And much of their formula was “honoured more in theory than in practice”. Throughout the neoliberal period, rich countries ran deficits on a permanent basis, for example. Regulation expanded, as did welfare spending.

There is a better way of thinking about recent history. The 1980s and 1990s were an

“age of entrepreneurialism” when established giants, many of them backed by government, gave way to new start-ups. This began in the early 2000s to be replaced by an “age of consolidation”, in which “big companies became increasingly intertwined with big government”. That consolidation is producing all

sorts of ills, from a boom in lobbying to an “epidemic of rent-seeking”. It may well also be contributing to political discontent – a sense that “regular people are helpless in the face of big companies that have sewn up markets and are dividing the spoils among themselves”. Over the past two decades, three out of four US industries have grown more concentrated, with fewer companies gobbling up market share, as Ruchir Sharma points out in *What Went Wrong With Capitalism*. Whether it’s airlines or food or technology or investment, all are dominated

by a handful of giant firms. And dominant companies are remaining dominant for longer: over the course of the 1980s only three firms remained in the top ten of US companies; in the 2010s, six achieved that feat.

The virtue of thinking about recent history in this way is that it points to better solutions. If our main problem is the decline of the entrepreneurial ethic in an age of giant companies and government-business alliances, then the solution is not industrial policy, but to get serious about breaking up monopolies to unleash the “animal spirits” of capitalism.



# What the new left should do now

[project-syndicate.org](https://www.project-syndicate.org)

Recent elections in France and Britain, and America’s presidential campaign, “show the dilemmas left-leaning parties confront as they try to fashion new identities and present credible alternatives” to the populist right, says Dani Rodrik. The left has come a long way since the financial crisis, when it was basically missing in action. But there is still work to be done because the left “continues to send mixed messages about what they really stand for and who they represent”. Leftist parties have become “unmoored from their traditional working-class base and veered towards the educated elite”.

But if the left is to regain political strength, it must “return to its roots and once again represent the interests of working people” with a focus on “good, secure, productive jobs” for workers without a university education. The old strategy of focusing on organised manufacturing workers will not work, however, as this sector has shrunk. The representative target will not be a steel worker, but a care or retail worker. The strategy must also, however, embrace technological innovation to boost productivity. “A new left must confront head-on” both of these challenges for “only then will it turn into the genuine political movement of the future and a credible alternative to the far-right”.

# The economics of the rat

[literaryreview.co.uk](https://www.literaryreview.co.uk)

When the US government was deliberating in 1967 on Lyndon Johnson’s Rat Bill, which would allocate \$40m to dealing with rodents, demonstrators forced their way in, chanting “rats cause riots!”, says Will Wiles. Republican opponents scoffed that surely a few cats and a bit of poison would do the job. But as *Rat City*, an “engrossing” study of the problem by Jon Adams

and Edmund Ramsden, points out, things were not so simple.

Rats are the “harbinger of urban decline and chaos”, and can spark civil unrest – rent strikes in protest at infestations, for example. But

He brings chaos in his wake



experts on rat behaviour knew that eliminating them was a real challenge. Rats are picky eaters, making them difficult to poison. And numbers quickly recover from any slump. One surprising result of studies was that the most effective rat killer turned out to be... more rats. Overcrowding and competition cause rat societies to collapse into strife and violence. Anyone tempted to draw easy political conclusions from that will learn from Adams’ and Ramsden’s “vivid and enthralling” book that rats (and people) are more complicated than they seem.

# The cost of free money

[city-journal.org](https://www.city-journal.org)

What happens when you give people free money with no strings attached? A scientific experiment designed to test this widespread proposal for a “universal basic income” has just completed, says Robert VerBruggen. The study included 3,000 lower-income Americans, aged 21-40, who were randomly assigned to receive either \$1,000 a month for three years, or just \$50 for their continued participation.

The results were roughly what common sense would have predicted: that when people get free money, they “work a bit less and play a bit more”. They spend a bit more on healthcare, but with no enduring health benefit. The loss of effort at work was not offset by any other productive activity, nor exercising or caring for children, or self-improvement. The study will not, of course, end the debate, but it does seem to confirm what “always seemed likely”: unconditional cash transfers reduce work and benefit recipients only in short-term ways. The huge cost of any meaningful scheme would mean that taxpayers also would face new work disincentives.

# Will tariffs trigger a new era of trade wars?

Taxes levied on imports could spread if Donald Trump returns to office. A new era of protectionism in the global economy will herald higher inflation, says Philip Pilkington



Inflation seems to have slipped from the headlines. This is unsurprising because since May inflation in Britain has been hitting the Bank of England's target of 2%. Yet this is largely because of a sharp reversal in goods and energy inflation. Meanwhile, services inflation and the cost of owning and maintaining property in Britain continue to rise. This suggests that we are still in a broadly inflationary period, with much of the pressure being taken off as the costs of goods and energy eases from previous highs.

This is particularly important to understand because talk of tariffs and trade war is on everyone's lips – and there is nothing like a trade war to raise prices for consumers. Earlier this month the EU increased tariffs on Chinese electric vehicles (EVs) from 17.4% to 37.6%, because it is concerned that Chinese EVs might outcompete domestic European models. Yet while the bureaucrats fret over a lack of competitiveness, industry thinks that tariffs will make the situation worse by rendering European-made cars uncompetitive on the world market. Just before the tariffs were imposed, Germany's auto association urged the EU to drop them.

## A taste for tariffs

Tariff fever does not seem to be coming from industry leaders, but rather from "securocrats": those concerned with issues of national security. Just after the recent Nato summit Germany announced that it was imposing a ban on the use of critical components made by Chinese companies Huawei and ZTE in the country's 5G infrastructure. Britain imposed a similar ban in 2020. BT says the ban has cost the company £500m; Britain now does not make it into the top-15 countries in terms of 5G availability.

Germany's pivot to prioritising security over economy signals that all manner of trade warfare may be becoming mainstream. Only a few months ago, in April, chancellor Olaf Scholz visited China stating that he wanted to maintain good trade relations. By mid-summer, there were massive tariff increases in place on Chinese EVs and Chinese companies were denied access to German 5G infrastructure. It seems that even countries whose leadership is trying to shift toward more open economic relations are failing to deliver.

Ground-zero for tariff fever seems to be Washington DC. Since the election of Donald Trump in 2016, talk of protectionism and trade war has moved from the fringe to the mainstream. Many of the think tanks that would typically have pushed US policymakers towards free trade have reluctantly accepted that some degree of trade war is all but inevitable. A new mantra has arisen: free markets at home and protectionism abroad.

Whether these developments are good or bad for America, it is by no means clear that they are a good fit for Europe. The World Bank's data shows that in 2023 trade comprised 27% of American GDP. Compare this with the UK, where it makes up 66%, or the EU, where it is worth 97% of GDP. For all its talk of free trade, the US is quite a closed economy. This is obvious if you visit the country and notice how many of the goods – from cars to electronic products – are produced domestically. In contrast to, say, German cars and electronic

products, you will typically not see these US goods being sold elsewhere in the world. All this highlights that the US is already quite a protectionist economy, and although these policies have protected American jobs, they have also rendered much of American industry uncompetitive on the world stage.

The US has the advantage here of a huge domestic market – and one that has never really been exposed to the strong competitive winds associated with open trade. The idea that Europe, much less Britain, can copy the US in this regard seems fanciful. Despite these obvious facts, European leaders seem to be willing to go along with these transplanted American plans because they have no alternative on the table. Note that since the Russian invasion of Ukraine in 2022, the securocrats have been getting more seats at the policymaking table relative to the economists and business leaders.

## Britain stands tall – for now

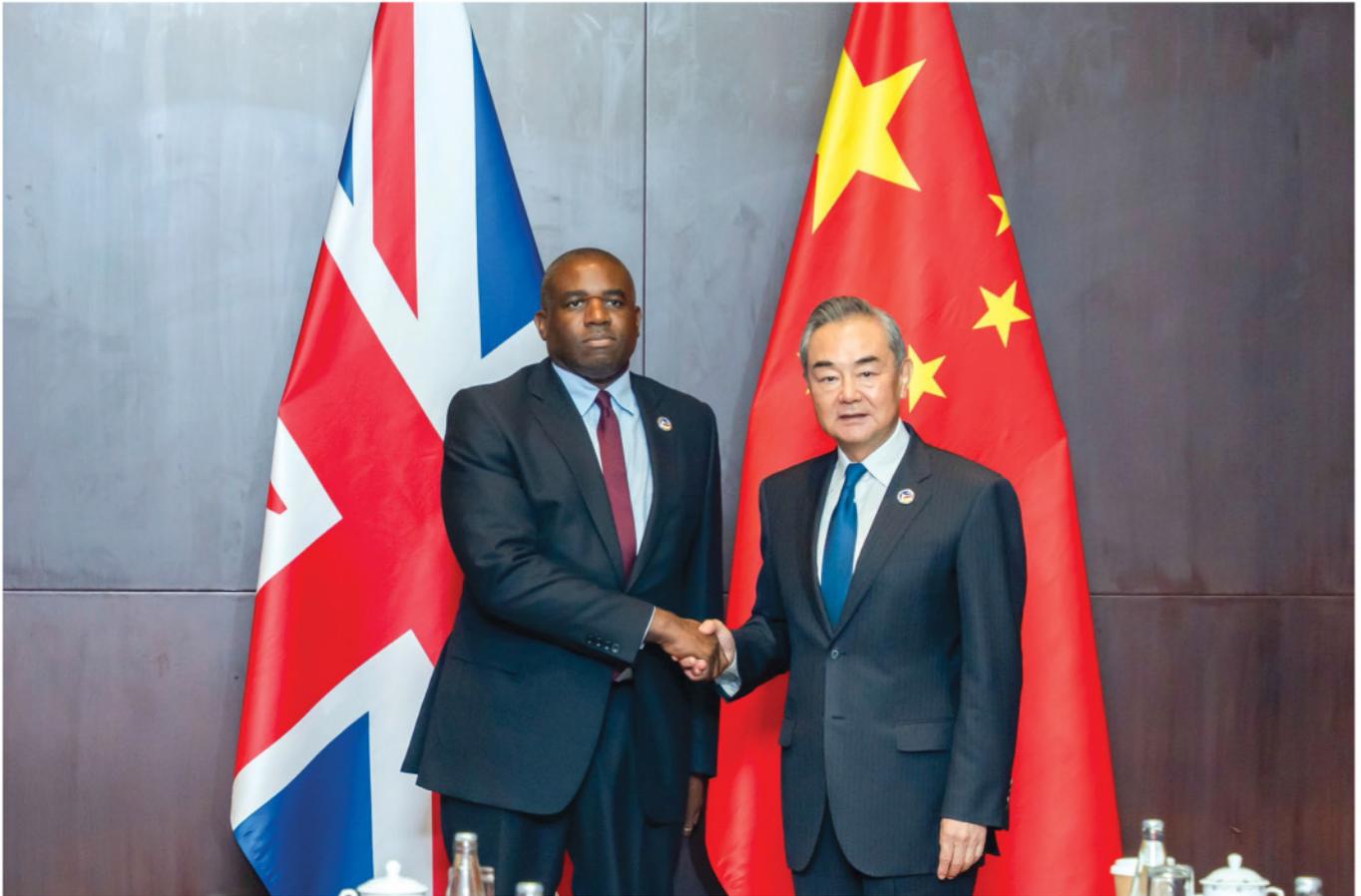
In a rather surprising move, the newly elected Labour government has signalled that it is not interested in imposing tariffs on Chinese EVs. The Labour government seems more willing to listen to business leaders than its European counterparts. This departure by the United Kingdom from European-wide policy is notable for several different reasons.

Firstly, the new Labour government is generally seen as being far more pro-EU than the outgoing Tories and so many expected it to follow the party line in the EU. Secondly, Labour has historically favoured domestic jobs over international competitiveness, and so it might have been expected to jump on the European tariff bandwagon with glee. Thirdly, as we have already seen, it was Britain that pioneered the ban on Chinese 5G components in Europe. Getting out ahead of the rest of Europe on 5G infrastructure highlighted how Britain is far more tightly aligned with the national security apparatus in the US. But this time the Europeans seem more inclined to follow the Americans than the British.

What does this divergent move by Labour signal? It is hard to tell. In April then-shadow foreign secretary David Lammy published an essay in the journal *Foreign Affairs* entitled *The Case for Progressive Realism*. In it, Lammy made the case that Britain was a much less important player on the world stage than when Tony Blair took office in 1997. With the rise of China and India, the world had become "messy and multipolar", Lammy argued, and this had "ended the era of US hegemony". The now-foreign secretary argues that Britain must "adopt a strategy that simultaneously challenges, competes against, and cooperates with China as appropriate" and that the country must "recognise China's importance to the British economy".

Perhaps what we are seeing with this British divergence from the EU on the question of tariffs is Labour and Lammy's new strategy in action. In the immediate future it means that Britons will have access to cheap Chinese EVs and these cheap EVs will continue to hold down the headline consumer-price index (CPI), even as the upward drift in the general cost of living continues apace. Whether a new strategic approach to Chinese cooperation can counterbalance some of

*"In 2023 trade comprised only 27% of US GDP, compared with 66% in the UK"*



Foreign secretary David Lammy advocates a “progressive realist” approach to China

Labour’s more inflationary policies (most notably, the public-sector pay increases it floated recently) remains to be seen. But the approach is certainly novel.

### Trump gains momentum

Whether Britain’s strategy can weather changes on the international political stage, on the other hand, is a different question. Now that president Joe Biden has declared that he will be stepping aside in the race it is left to vice president Kamala Harris to try to hold the White House for the Democrats. This does not look like an easy prospect for Harris. Observers of the American political scene largely agree that all the energy is behind Trump, especially since the attempt on his life.

Trump has committed to radically different foreign policies and economic policies. On the foreign-policy front, Trump has portrayed himself as a dealmaker. This would seem to imply that a Trump presidency might lower the temperature and calm things down on the global stage. While this may be true, we must also factor in Trump’s economic policies. The former president wants to marry his mission of global peace with a radical policy of economic protection. “I’m a tariff man,” he boldly tells journalists and supporters.

So far Trump and his team have been light on details, but the general plan appears to be to lower taxes for Americans and raise tariffs. There is absolutely no doubt that this is an inflationary policy. Lowering the rate of tax for workers and consumers puts more money in people’s pockets. More money means more spending – and more spending, unless it is met by an increase in the supply of goods, means higher prices.

Yet it is hard to see where an increased supply of goods might come from. If a Trump administration raises tariffs at the same time as lowering domestic taxes, then the supply of goods at affordable prices will shrink as there will be less capacity to pull in imports at reasonable prices. Perhaps the Trump team is gambling that this policy will force US firms to step into the

breach and provide US consumers, now flush with money they would otherwise have paid in taxes, with access to domestically produced goods.

This will take time, however. Some goods can be substituted with similar products, and if there is sufficient demand, US industry will be able to provide them. But some goods cannot easily be substituted, and will require very large amounts of fixed-capital investment to get the industry needed up and running. While a high-demand, high-tariff policy might benefit the US economy in the long run, it will almost certainly cause inflation in the short term. Add to this the fact that the Trump team has signalled that it wants to devalue the dollar and you have a recipe for high inflation moving forward.

What does this mean for Britain? First and foremost, US tariffs will not affect British prices much unless they are copied. If the new government maintains its current course and refuses to copy US trade policy, there is no real channel for US tariffs to affect British prices. But if the US starts to see Trump’s tariffs as a component of Western foreign policy aimed at hobbling China, then it may apply pressure on Britain to follow suit. It is hard to imagine Starmer’s government spoiling its security relationship with the US to maintain an independent trade policy.

The question of the dollar is more vexing, however. If the Trump policies led to higher inflation, this would mean that US interest rates would rise. If the Bank of England refused to match these interest rates, sterling would fall, generating inflationary pressure in Britain. If the Bank did replicate the higher interest rates, however, they would drastically slow the UK economy – potentially generating a recession. The upshot is that Britain might not even have to catch tariff fever for its economy to experience the turmoil of a second Trump presidency. The fact that the sterling-dollar rate and British-American national security are joined at the hip may be enough to guarantee the country a wild ride.

*“US tariffs won’t affect British prices much unless Keir Starmer’s government copies them”*

# Healthy yields from bonds

The Invesco Bond Income Plus trust boasts an excellent record and should offer a smooth ride



**Max King**  
Investment columnist

As interest rates start to fall, many risk-averse investors will be looking to lock in higher levels of income. But yields on longer-dated government bonds are already not much more than 4%, and on higher-quality corporate bonds they are scarcely higher. The yields on funds in the debt, loans and bonds investment-trust sector are significantly higher, with several of them exceeding 10%, but these may carry obscure risks, particularly for those specialising in the mystical world of collateralised loans.

The Invesco Bond Income Plus (LSE: BIPS) trust yields a lower but still healthy 6.7% from a “very liquid” portfolio of listed bonds. Thanks to an average bond price of 92 and a weighted average bond maturity of 6.6 years, the redemption yield of the portfolio is 8%, which rises to 9% with the benefit of borrowings amounting to 14% of net assets. This is achieved through “repo” borrowing against individual bond holdings at an effective interest rate of around 4%.

With total fund costs of just 0.9%, including a management fee of 0.65%, this means that the dividend is fully covered. There “should be a bit of capital growth but income is not likely to rise much”, says lead manager Rhys Davies. Nearly 70% of the portfolio is sub-investment grade, which implies high risk



Risk-averse investors are keen to lock in income

but default rates are low (below 4% on high yield, according to credit-rating agency Moody's) and unlikely to rise significantly. Besides, “defaults can be an opportunity to restructure”, says Davies, who adds that he sometimes acquires holdings of companies already in default to benefit from a recovery in value.

About half the portfolio is in the UK, 10% in the US and most of the rest in Europe. “UK insolvency laws are pretty good so many European companies come to the UK for bond listings.” 38% of the portfolio is in corporate high-yield bonds, 33% in subordinated financials, “often investment grade and providing good income but with less protection if things go wrong, as it is the most junior of bank debt”.

Higher-quality “defensive” holdings and “hybrids”, such as bonds convertible into shares, plus a little emerging-markets exposure, make up the rest.

## Bulking up

The trust was formed by the merger in 2021 of two sub-scale high-yield funds, resulting in lower costs, better liquidity and wider appeal for the shares. Consequently, the shares have traded at a small premium to net asset value (NAV) since late 2022, which has enabled more than £30m of additional share issuance in the last year. This brings the market value of BIPS to £330m, the largest in the sector. Davies also manages £2bn in Invesco's Monthly Income Plus fund and £2bn in a segregated mandate. He is

part of an extensive team that comprises 13 fund managers, 19 analysts and eight dealers providing reassurance about the resources, experience and knowledge available to Davies and co-manager Edward Craven. Davies is clearly a cautious investor. Yields, he says, “remain relatively high, providing compensation for rate risk and credit risk”. The fund has performed well in the last year, returning 13%, but the three-year return of just 4% carries the scars of higher interest rates. Despite the last year, “there are lots of interesting and exciting bonds around to put into the portfolio”.

“Interesting” and “exciting” are not words usually associated with bond investing, nor are they features normally sought by investors in bond funds. The portfolio turnover of about a third each year seems high but shows the team's willingness to take profits as bonds approach maturity and better investment opportunities appear. What is particularly impressive is that the 18% fall in the share price, excluding dividends, in the year to 30 September 2022 as interest rates in the UK and US rose from near zero to over 5%, was fully recovered by the end of 2023 and the share price is now at an all-time peak despite, as yet, no fall in rates. Better yields may be available elsewhere for fixed income investors but the ride is unlikely to be as easy as with BIPS.

## Activist watch

Elliott Investment Management has built a “sizeable” stake in Starbucks, says The Wall Street Journal. The activist investor has been engaging with Starbucks behind the scenes and may reach an agreement soon, but the exact size of its position and specific demands are unclear. Starbucks, which has been losing ground in the US and facing increased competition in China, recently reported a slowdown in visits and unexpectedly weak sales and earnings. The stock has slid by 35% from a record peak in 2021, and the company has slashed its outlook twice this year. CEO Laxman Narasimhan took over last year from longtime leader Howard Schultz, who has since openly criticised Narasimhan and the firm's direction.

## Short positions... the great British fund rip-off

■ **British investors pay almost three times as much for stocks and funds as Americans, says Ali Hussain in The Times. The gulf is due to the fact that Britons are more likely to buy active funds with higher fees, while US investors tend to use cheaper tracker funds. British fees have been steadily decreasing. The Financial Conduct Authority's Consumer Duty rules aim to ensure positive outcomes for clients and push down costs. However, US investors benefit from a larger market with more competition, resulting in lower fees. About 51.2% of US investments are in passive funds, compared with only 23.8% in the UK. Cultural differences also play a part in the gap in costs. Americans have to be more self-sufficient owing to a lack of social welfare and a smaller state pension. Investing in cheaper tracker funds and ready-made portfolios, along with using robo-advisers, could lead to higher returns over the long term.**

■ “The concept of ‘star managers’ may have lost some momentum”, but “key-person risk” still exists in many funds, says AJ Bell's Paul Angell. Recent departures such as Ben Whitmore from Jupiter UK Special Situations Fund and Mike Riddell from Allianz Strategic Bond Fund highlight the concern that arises when the departing manager came up with the investment process. Asset managers are adopting co-portfolio manager structures to mitigate this risk, as seen with Kevin Murphy leaving the Schroder Value team and John Pattullo retiring from the Janus Henderson Strategic Bond fund. In these cases, co-heads Nick Kirrage and Jenna Barnard provide continuity. Fund selectors should consider the remaining team's skills. But keeping a manager in a role for too long carries risks too.

# A pub play with potential pizzazz

Marston's new strategy could lead to a substantial rerating of the shares in the next few years



**Rupert Hargreaves**  
Investment columnist

Pubs have been a key part of the fabric of British life for hundreds of years. But pubs are not great businesses. Costs are high, and profits are low. It is also relatively straightforward to set up a pub. The most challenging part is complying with licensing and planning conditions. Aside from these hurdles, there are few other barriers to entry for potential rivals.

These challenges explain why the number of pubs across the country has been falling for decades. But there are plenty of bright spots. People still want to go out, drink, eat and have a good time with friends and family, and demand remains high. As we saw in 2021 and 2022, as soon as the challenges of the pandemic were overcome, people wanted to go out again. It's part of human nature, and that is unlikely to change.

The sector suffered between 2020 and 2023 when Covid disrupted trade and inflation surged following Russia's invasion of Ukraine, forcing costs higher and eroding profit margins. However, these challenges are now starting to fade, while household spending, which didn't decline as much as many analysts had predicted amid the mild recession last year, is beginning to accelerate.

Fuller Smith & Turner is one of my favourite picks in the hospitality sector. It recently reported a record year of



The chain has been enjoying buoyant sales growth

trading and, in its latest update, reported like-for-like sales growth of 5.3% for the first 16 weeks of its financial year (to 31 March 2025). "With inflationary pressures easing, our margins are recovering," it added. Peer Young & Co. also recently reported bumper trading for fiscal 2024, and in the five weeks since the end of the year (to 1 April) has reported like-for-like sales growth of 3.4%, with this gauge rising to 10.6% during the first two weeks of summer.

Mitchells & Butlers has reported like-for-like sales growth of 5.7% for the 42 weeks to 20 July 2024. For comparison, the CGA RSM Hospitality Business Tracker reported 4.2% like-for-like sales growth in pubs across this period.

## Lagging the sector

The other player in the sector, the company I want to cover today, is Marston's (LSE: MARS). This is not

usually the sort of business I would recommend. Indeed, six months ago I would have said investors should avoid it. Debt has been a weight around the company's neck since the financial crisis. It ended its 2023 financial year with net debt of £1.2bn, 6.5 times more than its market capitalisation. That's not the sort of position any company would want to find itself in heading into a higher interest-rate environment. In its 2023 financial year, the company paid roughly £100m of interest on earnings before interest and tax (EBIT) of £130m.

However, at the beginning of July, Marston's agreed to sell 40% of its joint brewing venture with Carlsberg for £206m in cash. Management intends to use the proceeds of the sale to reduce debt and has estimated that it could save as much as £18m a year in debt interest. On top of this, the company has also published robust trading figures, following its peer group. For the 42 weeks ended 20 July 2024, like-for-like sales grew by 5.2%. The company should also benefit from moderating cost inflation.

## Improving margins

The sale of the brewing business will affect the firm's profitability over the next few years, but analysts believe that this will be more than offset by lower debt and interest costs, and sales growth as well as a recovery in margins. Analysts at Panmure Liberum foresee the company's EBIT (operating) margin rising from

15.4% in fiscal 2023 to 15.8% in fiscal 2025 and then 16.3% in fiscal 2026. Based on these projections, lower interest costs and continued debt reduction, analysts have pencilled in profit before tax of £81.4m by fiscal 2026, up from £35.5m in 2023. Lowering debt is a key focus of management.

In addition to the sale of the stake in the joint venture, the company has also indicated that it expects to sell around £50m of property this year, with further significant disposals likely in the years ahead. There is plenty of flexibility in the balance sheet to facilitate this goal. At the end of fiscal 2023, the group reported debt of around £1.6bn compared with property assets of £2.1bn.

## The stock could double

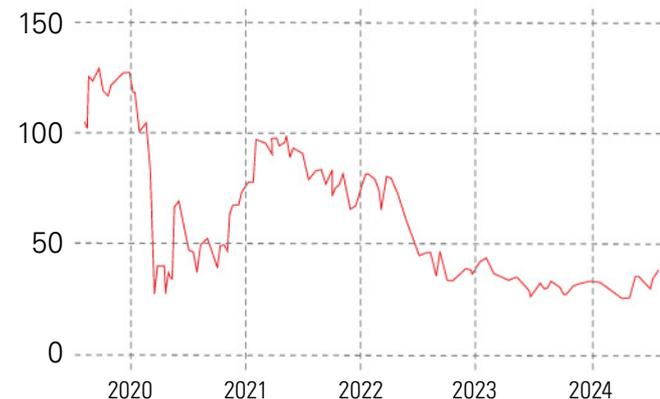
Marston's isn't an investment for the faint-hearted. It is a risky play, but it does have lots of upside potential if management does manage to execute its strategy successfully over the next couple of years. At current prices, the company is trading at a discount to book value of approximately 60% (book value is in the region of 100p per share).

In addition, the stock is trading at a forward price/earnings (p/e) multiple of six, below its pre-Covid average of ten. Averaged out, these numbers suggest that the stock has an upside of around 110%. As I have noted, this is far from a risk-free investment, but the potential upside of more than 100% over the next couple of years more than offsets the risk.

With sales expanding and the recent joint venture disposal, the company does not have to do much more for this scenario to play out as long as consumers' spending remains robust and continues on its current trend. If inflation also continues to moderate and profit margins recover, Marston's should benefit from the additional cash flow. Ultimately, as long as there are no unforeseen shocks, these trends should continue and allow Marston's to return to a degree of stability over the next two years.

## Marston's (LSE: MARS)

Share price in pence



# Time to prepare for pricier food

A growing global population makes soft commodities a structural growth market, says David J. Stevenson

Britain's inflation rate now appears, at last, to be under control. The June year-on-year increase in the consumer price index (CPI) remained in line with the 2% official target. While service-sector prices were still rising at 5.7%, there was one particular bright spot. Having posted an alarming annual upswing of 17.4% a year ago, food and non-alcoholic beverage inflation dropped for the 15th consecutive month to 1.5%. This was down from May's 1.7% and represented the lowest rate since October 2021, a few months before Russia invaded Ukraine.

Meanwhile, compared with the same month in the previous year, EU food prices were up just 1.5% in June 2024, according to Trading Economics. And there could be more near-term good news on the way for consumers. "Soft" commodities are agricultural foodstuffs that are grown rather than extracted or mined. Livestock, cotton, sugar, corn and wheat are classic examples, although meat, cereals, grains, oil seeds, coffee, cocoa and orange juice are often included too.

Soft-commodity futures are among the world's oldest exchange-traded products and are used by farmers wanting to lock in the future prices of their crops, by commercial purchasers and by speculative investors. Put simply, they give a good guide to where food prices are heading next. The Food and Agriculture Organisation of the United Nations' (FAO's) Food Price index (FFPI) is the gold-standard gauge of monthly changes in international prices of a basket of food commodities. In June this year, the FFPI remained 2.1% lower than its value a year ago and was 25% below its peak of March 2022.

## A changing trend...

So at first glance, it looks as if the short-term lagged effect of the most recent falls in the FFPI index means that shop food-price inflation is set to ease further. Yet this is only part of the story. The June 2024 FFPI print was unchanged from the revised figure for May, but the latter reflected three consecutive monthly upticks. Increases in the price indices for vegetable oil, sugar and dairy products balanced out a decrease in the index for cereals, while the FFPI meat index was almost unchanged, says the FAO. In other words, soft-commodity prices appear not just to have bottomed out, but also to be on the rise again.

While major cereals' global export prices fell month-on-month, the drop in the value of wheat mostly reflected seasonal pressure from ongoing northern hemisphere harvests. And Turkey's temporary import ban also contributed to lower prices. Meanwhile, June's FAO Vegetable Oil Price index rose 3.1% from May to its highest level since March 2023. The increase was driven by higher palm, soy and sunflower oil prices signalling firm demand from the biofuel sector in the Americas and declining export opportunities in the Black Sea region.

Furthermore, the FAO Dairy Price index climbed 1.2% from May and 6.6% from a year ago. Butter prices hit a 24-month high, while the cost of skimmed-milk powder increased on the back of strong Western



Major cereal crops' global export prices have dipped recently

European demand, offsetting slightly lower meat values. Even sugar, down 22% from June 2023, rose 1.9% from May to June 2024.

## ... and a supply squeeze

In the longer term, global demand for food is only set to head upwards due to increases in the planet's population. Currently just over eight billion, this is set to hit 8.5 billion in 2030, 9.7 billion in 2050 and 10.4 billion by 2100, says the UN. The key factor influencing world soft-commodity prices, then, is supply – on which score, there are some worrying signs for the future. Prior to the Russian invasion, Ukraine, once known as the breadbasket of Europe, was a top barley, corn and rapeseed exporter. Yet over the longer term, supplies from Europe's breadbasket are more likely to fall than rise. That would lead to higher prices.

In the US, despite this year's unexpectedly good harvest, other potential price tensions are emerging. The most recent US Department of Agriculture (USDA) report indicated that the total number of cattle and calves in the country on 1 January 2024 was 87.2 million, 2% lower than the previous year. This was the lowest level at the start of the year since the 1951 figure of 82.1 million. Specifically, the number of calves was estimated at 33.6 million, down 2% from 2023 and the smallest calf crop since 1948's 33.1 million. Yet since 1951, the US population has grown by 125%. For the home of the hamburger, these are worrying statistics.

Again, there are lags in the beef supply chain, meaning that shop meat prices echo producers' experiences of between 12 and 24 months previously. In other words, lower cattle numbers suggest upward pressure on future beef prices. Global farming is vulnerable to several longer-term threats, too. Natural disasters such as hurricanes, floods, fires, earthquakes and tornadoes challenge agricultural production, notes the US Environmental Protection Agency (EPA). Such events can cause water contamination,

*“For the country that is the home of the hamburger, the slump in the number of cattle is worrying”*



*“Climate change could raise global food prices by between 0.9% and 3.2% a year by 2035”*

loss of harvests or livestock, increased susceptibility to disease, and destruction of irrigation systems and other agricultural infrastructure.

Although “international food prices have declined since their historic peak after the start of the war in Ukraine”, notes Alvaro Lario, president of the International Fund of Agricultural Development, “despite the current trend, we must remember how fragile our food systems are. They are increasingly threatened by more frequent and intense weather extremes, and volatile geopolitics”.

From a global perspective, “there are several factors causing the increase in food prices worldwide”, notes Levi Sucre Romero of the Mesoamerican Alliance of Peoples and Forests. “Firstly, the high dependency on oil... drives up the costs of food production and transportation. Agricultural machinery, fertilisers and product transportation rely heavily on oil, so any increase in its price directly affects the final cost of food.”

“Over exploitation of agricultural lands and intensive use of agrochemicals have led to a growing need for fertilisers to maintain production, which further increases costs.” Environmental economist Shouro Dasgupta points out in the UK climate and energy policy monitor Carbon Brief that policy failures in the worldwide food system also lead to food-price inflation. “One is the inadequacy of storage facilities, especially in low- and middle-income countries. Another is the concentration of food production in certain regions and on selected crops.”

### The spread of cities

Then there’s urbanisation. In 2023 the US lost another 1.1 million acres of farmland, says the USDA’s Farms and Land in Farms report. Since 2016 US farmland acreage has fallen by around 24 million acres (almost 3%). One of the main reasons is the expansion of cities and towns into previously rural areas, and the conversion of farmland into residential, commercial or

industrial uses. What’s more, there are problems with topsoil. This contains vital nutrients for growing plants.

“The world grows 95% of its food in the uppermost layer of soil, making topsoil one of the most important components of our food system,” says Susan Cozier in The Guardian. “But thanks to conventional farming practices, nearly half of the most productive soil has disappeared in the world in the last 150 years, threatening crop yields.”

The impact of micro-plastics in soils, sediments and fresh water, meanwhile, could have a long-term negative effect on terrestrial ecosystems throughout the world, according to the Leibniz-Institute of Freshwater Ecology and Inland Fisheries (IGB). In turn, this could damage food output even more.

What might all this mean in numeric terms? Climate change, in particular rising temperatures, may lift world food prices by between 0.9% and 3.2% per year by 2035, according to a recent study by researchers in Germany.

While Oxford Economics expects a global food-price fall of a further 5.6% this year, the consultancy believes that prices “are now near a floor and will begin to rise gradually through [the second half of] 2024”. It also predicts that global food values will increase in 2025, while risks to its forecast remain “overwhelmingly skewed to the upside” with adverse weather conditions on the cards.

To be clear, we’re talking about long-term risks here. Yet they could all ultimately lead to rising soft-commodity prices, “food insecurity”, scarcity, and social unrest. We can’t stop them happening, but we can try to protect ourselves – and our finances. Our recommendations are below.

### What to buy now

The sterling-denominated **WisdomTree Agriculture ETC** (exchange-traded commodity) fund (**LSE: AGAP**) provides a total-return investment in a basket of agriculture commodity futures contracts that track the Bloomberg Agriculture Subindex. It’s down by 27% from April 2022. You must answer a “sophisticated investor” questionnaire before buying AGAP.

The **Barings Global Agriculture Fund** has sterling-denominated shares. The fund aims to achieve capital growth by investing in equity and equity-related securities in the agricultural sector, “from planting to harvesting to delivering food to the table”. It focuses on quality and long-term growth potential. The price has fallen by 27% from its April-2022 peak.

Moving on to individual stocks, **Archer Daniels Midland** (**NYSE: ADM**) is the global leader in human and animal nutrition and the world’s top agricultural origination and processing company. It has a market capitalisation of \$31bn. Operating across six continents, it ranges from plant-based proteins to probiotics in developing nutrition trends, transforming crops into ingredients and solutions for foods, beverages and supplements worldwide.

The shares have fallen by 35% since November 2022 owing to global soft-commodity price drops. Yet the company has increased its annual dividend every year since 2001. While current year profits are expected to fall compared with 2023, the stock is on a cheap-looking 2025 price/earnings (p/e) ratio of 11.5, while the yield is 3.2%. It’s a long-term buy.

\$24.5bn-market cap **Nutrien** (**Toronto: NTR**) is the world’s largest provider of crop inputs and services, helping growers increase food production sustainably. The firm produces and distributes potash, nitrogen and phosphate products for agricultural, industrial and feed customers worldwide. Nutrien is on an appealing 2025 p/e of 11.5, while the dividend yield is a very handy 4.3%. It’s another long-term buy.

# Don't run up roaming charges

If you are going on holiday abroad be sure you know what your trip could add to your phone bill



**Ruth Jackson-Kirby**  
Money columnist

When you go on your summer holidays you probably don't think about what it will do to your mobile phone bill. But if you aren't careful, you could find your phone adds a hefty amount to the overall cost of your time away.

You should be aware that your phone provider could charge you more for using your phone abroad – roaming charges, as they are known, have been around for decades. But since we left the EU they have become a bit more complicated. EU countries are banned from charging their customers more to use their phones in other member countries than they pay at home. Following Brexit, British customers no longer have that protection and since 1 January 2021 “providers have been able to reintroduce these fees”, says Rachel Lacey in *The Times*.

## The wrong country

Many mobile firms offer their contract customers inclusive roaming plans, which often mean that you can use your phone in the same way as at home for the same cost. But don't assume anything, as the strangest things can trip you up. *The Telegraph* gives the example of Ian Templeman who went on holiday to Corfu



©Getty Images

The process has become more complicated since Brexit

earlier this month. Upon landing on the Greek island, he received the usual text from his provider stating that they realised he was abroad and listing various charges he might pay if he used his phone. He was amused to see that Sky Mobile's technology was glitching and the text welcomed him to Albania rather than Greece.

But it wasn't a glitch. Corfu is near the coast of Albania and many tourists find their mobile phones picking up Albanian networks. As Albania is a non-EU country Mr Templeman found his mobile bill rocketing. Instead of the £2 a day for unlimited calls, texts and internet he should have been paying for using his phone in Greece, Sky Mobile

charged him the rates for non-EU Albania.

## A huge bill

Within two days he had racked up an £85 bill. “I phoned them up and said you've made a mistake here. The agent on the phone replied: ‘No, we've sent you a text saying you are in Albania and therefore you will be charged as though you are in Albania,’” Mr Templeman told *The Telegraph*. It is possible to get a refund in this situation but be prepared for a tough fight. The example just highlights the complicated charges around using your phone abroad.

Research by Sim Local, a provider of travel Sim cards, has found that 63% of us are confused by the cost of using our phone abroad. Is it cheaper

to call or message? Text or WhatsApp? Should you use the hotel Wi-Fi or stick to using mobile data? The best approach to roaming charges is to do your research before you head on holiday. How much you'll pay depends on your mobile network, your tariff, where you are going and when you took out your contract.

Check with your provider for details of your own deal. See if you can get inclusive roaming as part of your plan or whether you need to buy an add-on. If you have inclusive roaming, look for any fair-usage policies. Exceed the limit and you could receive an expensive bill.

## Do your homework

If you're planning to use your phone to watch television or listen to music or podcasts, consider downloading the shows or songs before you go. It's worth remembering that Google Maps also allows you to download and store maps for offline use.

“Use free Wi-Fi in hotels, restaurants and so on but be careful about security,” says Lacey. If you need to make a call, use an internet calling service such as WhatsApp or Skype when you are on free Wi-Fi. Finally, be especially careful if you are on a cruise. “Sign up for onboard Wi-Fi to avoid being stung by sky-high rates on the ‘maritime network’,” warns Lacey.

## Pocket money... Revolut secures banking licence

● Financial-technology firm Revolut has finally secured a UK banking licence after a three-year wait. The licence means Revolut is now officially a bank, although restrictions mean it can't start taking deposits just yet. It must build up its systems to a level the regulator is happy with before it secures a full deposit-taking licence. Revolut has hitherto been a digital banking app allowing people to hold a pre-paid debit card and transfer money. Soon that will change as it becomes a fully-fledged bank. The licence means Revolut will eventually be able to hold customers' deposits,

“opening the door to new income streams, since it can start funding own-branded loans and mortgages”, says Kalyeena Makortoff in *The Guardian*. Securing a banking licence also means that deposits with Revolut will now be protected by the Financial Services Compensation Scheme (FSCS). So, if Revolut collapses you would get up to £85,000 of your money back.

However, it has taken the fintech group three years to get a banking licence thanks to a variety of concerns raised by the Prudential Regulation Authority. And not everyone is convinced the firm has sorted

out its problems. Complaints about fraud relating to Revolut have soared, according to data from the Financial Ombudsman Service.

● Digital bank Monzo has launched a pension consolidation service to help you “track down and combine your old retirement funds”, says Ali Hussain in *The Sunday Times*. All your pensions will be moved to a single plan with BlackRock. “You will need to provide details of past employers and then Monzo will track down your old pensions for you.” It will all then be transferred into a self-invested

pension plan (Sipp) with a 0.63% annual charge, reduced to 0.35% if you pay £17 a month for Monzo's premium service. There are cheaper options out there. AJ Bell charges 0.25% and Aviva – who also offer a pension-consolidation service – 0.4%. For those with old, costly schemes, “consolidating into a modern arrangement can often reduce charges”, Steve Webb from pension consultancy Lane Clark & Peacock told *The Sunday Times*. But beware: “Some older pensions have valuable features such as guaranteed annuity rates, which would be lost if you transfer.”

# How to choose a web host

Decide first what kind of internet presence your company needs



**David Prosser**  
Business columnist

Does your business have a website? The answer is “no” at more than one in five small and medium-sized enterprises (SMEs) in the UK, according to a recent report, but two-thirds of those SMEs felt that setting up a website would be good for business. That doesn’t necessarily mean launching an e-commerce channel. Merely having an online presence can boost your brand and enhance your company’s credibility.

In that context, web-hosting firms have become hugely important. These are the businesses that will provide you with the internet space you need for your website, and ensure it is accessible to internet users. Web hosts can support you with everything from registering a domain name to ensuring your site is safe and secure, but above all, they provide the digital real estate that your business will inhabit online. Finding the right web host is therefore an important step for any SME that wants to get online, or get more out of an existing internet presence. But there are thousands of providers. They offer a huge array of options and come with very different costs, from free services to charges of thousands of pounds a year.

## A spectrum of needs

To make the right choice, you will need to think carefully about what your business needs from a web host, which will really depend on what you’re hoping to do – and achieve – with your website. At one end of the spectrum, some firms simply want a very basic online presence: a way to tell the world that they exist and what they do. At the other, businesses have extensive digital strategies. They see their internet site as a crucial part of their value proposition, spending a great deal of time creating new content and often selling their products and services online. Clearly, businesses in the latter camp are going to need a web host capable of supporting all those activities, while those in the



former require something much more basic. But there are other factors too. You certainly should not only look at price, even if you want a simple service.

One question is which type of web-hosting service to go for. The cheapest option is typically shared hosting, where your site will sit on a server alongside all the other sites your host works with. These arrangements can work well, but there is a risk that if all the sites on the server attract large numbers of visitors, response times will be slow. Your customers may become frustrated with the speed of your site. For this reason, virtual private servers (VPSs) are increasingly popular with SMEs. You’re effectively getting your own server rather than having to share space. That costs a little more, but should provide faster and higher-quality internet performance.

Another issue is support. How helpful will the host

be if you have a problem, and what are its customer-service arrangements? If you want access to a phone line with a human being manning it, for example, make sure this is an option. Reading reviews of web hosts from other SMEs is one way to compare customer service. Security and reliability are also crucial considerations.

Your web host should offer “secure sockets layer” (SSL) functionality to keep your customers’ private information safe. And check what its back-up plans are in the event of an outage. If your site goes down, how will the web host get you back up and running quickly, with no loss of your data or content? No single web host will be best for all SMEs. But PCMagUK highlights Hostwinds, Accuweb Hosting and A2Hosting as worth considering. Bluehost, InMotion and HostGator have also won plaudits from advisers.

## Equity funding has stalled

Small businesses last year raised £8.8bn of equity finance from investors such as venture-capital firms and private-equity houses, according to new data. However, the figures, published by the British Business Bank, represent a 48% decline on the previous year.

The slowdown reflects both supply and demand. Higher interest rates saw the cost of finance rise last year, limiting the funding available for investment at some venture capital- and private-equity houses. But business owners and founders also appear to have become more wary of taking on this type of investment, possibly amid concerns that valuations have fallen back over the past couple of years.

Nevertheless, more than 2,000 small businesses did raise equity last year, the British Business Bank points out. And equity investment has come in at more than £2bn in each of the past five quarters.

Such funding does come with certain advantages compared with debt finance. The money does not have to be repaid, for example, while equity investors often provide advice, support and critical contacts. This type of funding is also a way for the owners of a company to pursue an exit from the outfits that they have founded. On the other hand, equity investment means relinquishing at least some of your ownership of the business.

## Petty cash... how to compete for labour

- The British economy’s skills shortages continue to challenge organisations in many sectors. And smaller businesses often find it particularly difficult to compete for staff, especially when it comes to financial rewards. However, new research suggests there has been a surge in the number of employers offering flexible benefits packages to attract workers. These deals allow workers to choose from a broad variety of benefits, perhaps trading off salary in return for more holiday, better-value health insurance, gym membership or childcare support, for instance.

- While sophisticated cybersecurity attacks tend to attract most of the headlines, simpler scams, which are frequently based around emails, are a far more widespread problem. The number of phishing attacks

on small businesses – whereby fraudsters attempt to get victims to share sensitive data they can then use to launch attacks – increased by more than 50% last year, new data shows. Nine in ten phishing attacks came through email.

- As we move into peak holiday season, do you know your employees’ rights? Many smaller businesses don’t realise that all their staff are entitled to paid holiday leave, whether they work part-time or full-time, or even on a zero-hours contract. Nor are many smaller firms’ HR departments aware that staff start accruing right to paid leave from the first day of employment. The basic rule is that employees are entitled to 5.6 weeks of statutory paid holiday a year, although this may include bank holidays.

# These overlooked small Asian stocks will become tomorrow's winners



A professional investor tells us where he'd put his money. This week: Nitin Bajaj, portfolio manager of Fidelity Asian Values, selects three favourites

My investment strategy is built on diligence, discipline, and patience. We look for good businesses run by competent management teams, available at a price that leaves us with a margin of safety. We therefore tend to avoid thematic investments, start-ups, highly geared companies, cyclical businesses earning peak margins and stocks on high multiples to earnings.

I focus on managing absolute risk and losing little money during market drawdowns, which should help compound returns at higher rates over the long term. As a result of this approach, the trust has a contrarian value tilt and is primarily invested in mispriced small and medium-sized companies that are the "winners of tomorrow" before they become well-known. Here are three examples.

## Adding spice to the portfolio

**Yihai International (Hong Kong: 1579)** is the largest condiment producer for Chinese soup-based hotpot cuisine that can be prepared at home, but is popular in the restaurant segment as well. Yihai is the main supplier of soup bases for Haidilao, a leading Chinese hotpot restaurant chain that relies on Yihai for nearly 80% of its domestic demand.

While there is no doubt about current weakness in Chinese consumption, Yihai is a fundamentally sound business selling a staple product. It is gaining market share in both the business-to-business (B2B) and business-to-consumer (B2C) segments. It has a strong record of execution, is on a price/earnings (p/e) ratio of between 11 and 12, offers a 6% dividend yield, and boasts a net-cash balance sheet. We feel it meets our criteria of good business, good management, and a good price.

**Surya Pertiwi (Jakarta: SPTO)** is the leading distributor and manufacturer of sanitary-ware in Indonesia, with over 3,000 dealers in its network. It is the exclusive distributor in Indonesia for the Japanese brand TOTO. The company has a 65%-70% domestic market share in sanitary-ware and a 40%-50% market share in sanitary fittings.

Given the nature of sanitary-ware as a product – fragile and high-volume, but low-value – it is hard to transport over long distances and therefore this segment faces limited competition from Chinese peers. Our research estimates that the Indonesian sanitary-ware market could expand by 7%-8% in volume



Yihai is the top condiment producer for Chinese soup-based hotpot cuisine

terms, supported by improvements in affordability. The current market penetration of sanitary-ware in the country is 50%, which is quite low and provides a tailwind for demand. The stock offers a mid-teen percentage return on equity and is on a price-to-book value ratio of below one. The balance sheet has no debt.

## China's car-parts champion

**Tuhu (Hong Kong: 9690)** is a Chinese vehicle-parts retailer that uses its app to direct car owners to its network of franchisee car-repair shops. It is a difficult business, but it is also light on capital and scalable, so companies that find the winning formula have high returns on capital and healthy long-term growth prospects. Tuhu is the market leader in China, where organised vehicle-parts retailing is still in its infancy.

The management team is solid, and the firm should be able to grow significantly in the next ten years. It's not a traditional value investment as it is an early stage company with a net-cash balance sheet and the stock is on a forward p/e of 16, but we feel comfortable with our position.

*"Tuhu is the market leader in China, where vehicle-parts retailing is still in its infancy"*



# South Korea's rags-to-riches visionary

Brian Kim expertly caught the wave that propelled Korean pop stars and actors to global stardom. Now accused of financial wrongdoing, he is in for the fight of his life. Jane Lewis reports

For many Korean expatriates, says Sohee Kim on Bloomberg, 2024 is the year when the “Hallyu” – Korean wave – went global. “K-pop stars and Korean actors now habitually beam out... from billboards and vitrines” in a way unimaginable a decade ago. TikTok has fanned a new “global fandom” with “localised” idol groups popping up everywhere. The renowned Korean K-pop agency, SM Entertainment, will shortly “launch its first UK boy band”. The K-pop events market alone was valued at \$8.1bn in 2021 and is predicted to reach \$20bn by 2031, notes Asia Fund Managers. South Korea’s cultural “export hit” is having “a huge economic impact on the country”.

## Sensational fall from grace

Against this backdrop, news that billionaire Brian Kim – the force behind South Korea’s ubiquitous Kakao messaging app and the country’s most prominent entrepreneur – has been arrested in a “K-pop stock manipulation case” has proved sensational, says the Financial Times. Kim, 58, who is currently in jail in Seoul, won a takeover battle last year to secure the prize of SM Entertainment. He now stands accused of manipulating SM’s stock price to hinder a rival, Hybe (which manages supergroup BTS), from acquiring it. Kakao’s chief investment officer is also on trial. Both deny the charges.

The case poses a problem for the authorities, says Reuters Breakingviews. They can’t look weak on financial crime.



*“After achieving the wealth I aimed for, I was left feeling rudderless”*

On the other hand, “a tough crackdown risks... jeopardising the country’s new breed of promising global businesses”. Kim is an undoubted figurehead, having risen from poverty to become one of South Korea’s few self-made billionaires – “a rare feat”, says the FT, in an economy still “dominated by a handful of big conglomerates” known as “chaebol”. The Hindu recently dubbed him “a rags-to-riches visionary”.

Kim certainly grew up in poverty, “at one time sharing a single room with seven family members”, says Bloomberg. Born Kim Beom-soo, to a pen factory worker and a maid, he was the first of his siblings to attend college – studying engineering at the prestigious Seoul National University and offering private tutoring in his spare time to help pay for his tuition. On graduation,

he joined Samsung’s IT services unit as a developer specialising in online communication, before launching his own company, Hangate, in 1998, originally as an internet café. The company later evolved to become South Korea’s first online gaming portal. After a stint in Silicon Valley in the 2000s, Kim returned to launch a messaging app, striking gold with KakaoTalk in 2010. The messenger service has about 53 million users globally, 88% of whom are in the domestic market, where Kakao enjoys a 93% penetration rate.

## Remarkable milestone

What made Kim super-rich was leveraging this “massive user-base” to expand into a host of new sectors, says Reuters.

Kakao moved into online banking, music-streaming advertising, shopping and transport. Having floated the group via “a backdoor listing” in 2014, the conglomerate now has roughly 124 affiliates – many of which have been profitably floated. Kakao peaked in 2021 when the pandemic spurred demand – sending shares soaring 90%. Kim, then worth \$13bn, chalked up a remarkable milestone, says Tatler Asia. His “exponential rise” saw him “unseat Samsung heir Jay Y. Lee as the richest person in South Korea”. Kakao shares have since lost some 77% of their value.

Kim used to see getting rich as the measure of a good life, says Bloomberg. “However, after achieving the wealth I aimed for, I was left feeling rudderless and lacking direction,” he said. A life-changing court case should focus the mind.

## The boffin shaking up Britain’s tech industry

There was a time when you wouldn’t choose to eat in London’s King’s Cross unless you were passing through, says Katie Prescott in The Times. Now it is a “destination in its own right, the heart of Britain’s technology scene, with Meta Platforms, Google DeepMind and OpenAI among those in the area”.

Simon Thomas (pictured), the founder of one of Britain’s most prominent computer-chip companies, Paragraf, is “in and out constantly”. It was over lunch here, in 2015, that Thomas and his fellow Cambridge



academic Colin Humphreys, met with industry bigwigs and came up with the idea of producing semiconductors made of graphene in novel ways, with applications in a wide range of advanced electronic, energy and medical devices.

Nine years later, the firm was spun out of Cambridge University, raising £16m in 2019 and £45m in 2022. It is currently halfway through another funding round, and has been hailed as one of the UK’s most promising technology firms, employing 120 people from its

base in Cambridge. To say Thomas, 47, has faced challenges would be an understatement, not the least of which is dealing with Britain’s unsupportive funding environment, says Jess Jones in City AM. In spite of good intentions from government, the support he has received has been deeply inadequate. “It’s an age-old problem,” he says. “Deep-tech innovation in the UK is well-supported. Deep-tech scaling is not.”

Indeed, installing just one power cable took him 12 months and cost £1m due to red tape and planning delays, he told The Telegraph last year. “It would surprise you, I tell you,

what has to be done just to plug something in.” Thomas is approached by China and by states in the US to relocate “constantly”, with a variety of attractive offers. In Britain, on the other hand, it’s a constant battle with planners and electricity companies.

Despite all that, Thomas remains an optimist. His company has the potential to rise to prominence in the \$574bn semiconductor industry, and Thomas is determined to make it work in his home country. “We’re going to make money out of it here,” he says, motivated by a “pig-headed” desire to “prove we can do it in the UK”.

# Two Turkish delights

Katie Monk stays at two unusual, stylish hotels in Cappadocia and Istanbul

I'm resting on my bed, taking in my surroundings. My eyes follow the curvature of the room – the vaulted ceiling, the carved-stone walls, the rounded doorways and cubby holes filled with antiques. The fireplace in the centre is the only structure with straight lines, and even that wouldn't look out of place in an ancient abode. This is not your typical bedroom.

Then again, Argos in Cappadocia is not your typical hotel. Built into the hillside in the village of Uçhisar, it was created from a collection of old stone houses, cave dwellings, tunnels, rock-hewn churches, and a monastery. Embracing nature, sustainability, and cultural heritage, it offers the opportunity to sleep in a living piece of history. The transformation into a luxury hotel spanned several years and there's minimal use of plastic. Instead, the aesthetic is one of stone, wood, natural textiles, and traditional handicrafts.

## Hearty Anatolian fare

There are two restaurants, Nahita and Seki – the latter located in one of the oldest monasteries in the world. The menus at both showcase seasonal homegrown produce, sourced from within a 60-kilometre radius or, better yet, plucked from the hotel's organic gardens. In summer, it's pretty much farm to fork. In winter, ingredients are preserved, dried and fermented, turned into jams, pastes, sauces and stews. The outcome is hearty, homely Anatolian fare, served on colourful handmade plates. Standouts include the shrimp casserole at Seki, and the grilled lettuce salad at Nahita. For lighter bites, there's the Seki Lounge and Nahita Lounge, perfect for enjoying a signature cocktail and mezze while watching the sun set over the Pigeon Valley, and Mount Erciyes beyond.

The Anatolian region is renowned for its viticulture, hosting some of Turkey's oldest and most pioneering



©Argos in Cappadocia

Argos in Cappadocia has been built into the hillside

wineries. Emir, an indigenous white grape, thrives here. Argos naturally has its own vineyards, located at an altitude of between 900 and 1,300 metres, producing wines from native varieties such as emir, kalecik karasi, bogazkere and narince. A labyrinthine wine cellar sits beneath Seki, some 22,000



bottles strong. A tour of it is highly recommended.

As is a visit to the spa. Even though I was staying in a Jacuzzi suite, I couldn't pass up the chance to have a massage in one of its cave treatment rooms. Something about ancient stone walls is very calming. The spa also contains a tranquil indoor pool, a yoga and meditation *shala*, two saunas and two hammams – it's guaranteed to soothe even the most frazzled 21st-century soul.

## Views over the Bosphorus

While many of the caves in Cappadocia have been converted into restaurants and tourist accommodation, some remain empty. I spent a good few hours exploring Uçhisar and the valley below, nosing into an array of lunar-shaped structures wondering what it must have been like to eke out an existence, quite literally, from the earth. Pale rocks ripple out around mushroom-shaped columns, conical houses, and otherworldly formations etched

*“The aesthetic is one of stone, wood, natural textiles and handicrafts”*

out of volcanic tuff by the elements. It's a beautiful, albeit unforgiving landscape.

Bidding Cappadocia goodbye, I made a stop in Istanbul on my way home. My base for my layover was Vakko Hotel & Residence – a chic hotel located in the Nisantasi neighbourhood. Vakko, Turkey's premier luxury fashion house, founded in 1934, is famous for its ready-to-wear collections, scarves, and haute couture. The Hotel & Residence is its new hospitality offering and sits above the flagship store, featuring 31 stylish self-catering suites with all mod-cons. The basement contains the Vakkorama gym

and Sanitas spa, complete with a eucalyptus-scented steam room.

The Vakko L'Atelier bistro also didn't disappoint. It marries modern French gastronomy with global flavours. I had a gorgeous burrata salad and grilled salmon for dinner. It was like a little touch of Paris in Istanbul. Guests can also book the “Chef Chez Vous” service, where a private chef will cook for you in your own suite.

I squeezed in lunch at nearby Biz ([bizistanbul.com.tr](http://bizistanbul.com.tr)), on the seventh floor of the Atatürk Cultural Centre in Taksim Square. Its three areas – Has, Lokanta and the Bar – all have views over the Bosphorus, and serve seasonal dishes that reflect the city's culturally diverse cuisine. Each dish tells a “story”. Highlights include the fluffy Midyeli Pilav with Bosphorus mussels, black pepper and cinnamon, the delicate filo *börek* and the seabass.

I ended my stay with dinner at 29 ([29.com.tr](http://29.com.tr)). Located in Ulus Park, it's one of Istanbul's best restaurants and overlooks the Bosphorus. Gazing out over the city – bridging Europe and Asia – with a Lilith cocktail in hand has to be the perfect end to any Turkish trip.

*Katie was a guest of Vakko Hotel & Residence, Premiere Suites from £640 per night, [vakkohotel.com](http://vakkohotel.com); and Argos in Cappadocia, from £320, including breakfast, [argosincappadocia.com](http://argosincappadocia.com).*

# MG's sporty plaything

The British brand's new Cyberster is a pocketful of fun on a twisty road



Somewhere between “bold and bonkers, MG’s new Cyberster is the car nobody really expected from the new-age version of the old-school British brand”, says Ben Whitworth for Car magazine. “This is MG getting back to its roots” in its centenary year – hence the special badging on the Cyberster’s flanks. The car’s design employs the same modular scalable platform as the MG 4. And while the powertrain is “futuristic... the Cyberster has a pleasingly traditional roadster” look to it. The bonnet is low and long enough to look like “it could swallow a V8” engine. But this is an electric car and the two models on offer in Britain are “refreshingly simple”.

Both use a 77kW battery with a 7kW onboard charger and maximum charging capability is 144kW – good enough for a 10%-80% charge in 38 minutes on a fast charger. The rear-wheel-drive Trophy, powered by a 335bhp motor, producing 350lb ft of torque, reaches 62mph from standstill in five seconds and tops out at

121mph. It weighs 1,885kg, has a range of 316 miles and costs £54,995. The all-wheel-drive GT is the most powerful production car in MG’s 100-year history and costs £5,000 more. For that, you get an extra 161bhp and 295lb ft of torque from a second motor driving the front axle. It accelerates to 62mph in an “eyeball-flattening” 3.2 seconds and its top speed is 125mph. Due to its 100kg heavier kerb weight, its maximum range falls to 276 miles.

The “biggest talking point”, however, is the Cyberster’s scissor doors, says Dean Gibson in Auto Express. “Press a button, and electric motors allow them to sweep open vertically, which is bound to draw attention every time you use them.” The cabin feels “roomy” for a roadster, with

*“The biggest talking point is the Cyberster’s scissor doors”*

touch-screen displays and there is a canvas folding roof that opens electrically and operates independently from the doors. “The Cyberster turns on as soon as you get behind the wheel, so all you have to do is select drive and you’re ready to roll.” The ride in the Trophy is “excellent on the motorway”, verging on “soft” in town, says Tom Ford for Top Gear. “It’s a quiet and sophisticated-feeling thing when you’re just pottering about, and something a little different for a convertible.” It’s also a “well-sorted, fun thing to play with”, especially when going fast on a twisty road.

“What a delightful surprise the Cyberster is,” says Kris Culmer in Autocar. It isn’t a game-changer when it comes to the sports-car class, but “nor is it really outclassed [by other roadsters] in any way”. Rather, it is “a real landmark – a beacon that shows sports-car fans that there’s still fun to be had in the future”, even if that future is electric.

See [mgmotor.eu](http://mgmotor.eu) for details.

## Wine of the week: a summer sparkler fit for a Kir Royale

**NV Crémant de Bourgogne Brut, Cave de Bissey, France**

£15.90, reduced to £14.10 each by the case, [hhandc.co.uk](http://hhandc.co.uk)



**Matthew Jukes**  
Wine columnist

I clearly remember, back in the 1970s, my parents could not afford Champagne, but they loved the opportunity to pour keener-priced crémants. This wonderful style of wine also likes to be dressed up with delicious blackcurrant liqueur to make a time-honoured Kir Royale. A darling of Parisian brasseries, this delightful “cocktail” had all the class and flair of a glass of Champagne, but with a little more romance and international intrigue. I remember selling bottles of Crème de Cassis in the 1980s when I worked in a

wine shop as Kirs (blended with still, dry, neutral white wine) and Kir Royales were all the rage. Then Prosecco and Cava happened, and this relatively inexpensive, yet often utterly delicious, drink fizzled out. French experts HH&C have uncovered two tremendous Burgundian sparklers, and I feel this summer is an excellent time to revive this elegant drink.

My featured sparkler is made from a vibrant blend of 60% aligoté, 30% pinot noir and 10% chardonnay, and it is



beautiful solo, while at the same time having the perfect chassis to support a carefully judged dribble of Crème de cassis. My favourite brands of cassis available in the UK are Crème de Cassis Vedrenne (£18, 70cl bottle, [greatwine.co.uk](http://greatwine.co.uk)), White Heron British Cassis (£21, 50cl bottle, [whiteherondrinks.co.uk](http://whiteherondrinks.co.uk)) and Harvey Nichols Crème de Cassis (£18.50, 37.5cl bottle, [harveynichols.com](http://harveynichols.com)).

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

This week: converted oast houses – from a Grade II-listed former oast house and threshing barn in We



▲ **Seal Chart, Sevenoaks, Kent.** A period oast house just outside Sevenoaks with large gardens with a decked area and a swimming pool. It has vaulted beamed ceilings, a modern wood-burning stove and a fitted kitchen in the roundel opening onto a terrace. 5 beds, 4 baths, 4 receps, studio with en-suite shower. £2.1m Knight Frank 01732-744460.



▶ **The Roundels, Hunton Road, Marden, Tonbridge, Kent.** A Grade II-listed 19th-century oast house with 20th-century additions in a rural location. It has exposed beams, a contemporary kitchen and retains the remains of a hoist wheel on the first floor. 4 beds, 3 baths, 2 receps, gardens, orchard, 1.36 acres. £1.195m Savills 01580-720161.



▶ **The Oast House, Frensham, Farnham, Surrey.** A refurbished 1830s oast house set in large mature south-facing gardens that include a dining patio. It has full-height brick arched leaded-light windows, modern wood-burning stoves, a large reception hallway and a living area with a stone floor, open fireplace and a mezzanine area. 5 beds, 3 baths, 4 receps, study, dining kitchen, annexe/studio, gardens. £3m Hamptons 01252-714164.



ald, Sevenoaks, to a three-kiln oast house in Maidstone, Kent



▶ **Hall's Oast,** Ashford Road, Lenham, Maidstone, Kent. A restored twin roundel oast house dating from 1872 surrounded by landscaped gardens. It has beamed ceilings, a double reception room divided by a dual-aspect log-burning stove and a breakfast kitchen in one of the roundels with a door leading onto the garden. 4 beds, 3 baths, 2 receps, kitchen, 3-bed log cabin, double garage, workshop, store, summerhouse, barn, pond, paddock, 2.16 acres. £1.395m Savills 07816-264194.

▶ **The Oast House,** Weald, Sevenoaks. A restored Grade II-listed oast house and attached threshing barn with private gardens in a gated development. It has oak floors, exposed timbers, and a large breakfast kitchen with an Aga. 6 beds, 3 baths, 3 receps, garage, terrace, kitchen garden. £1.25m Jackson-Stops 01732-740600.



▶ **Laddingford Farm Oast,** Maidstone, Kent. A period three-kiln oast house set in landscaped gardens that include a dining terrace and mature trees. It retains its original oak floors and beamed ceilings and has an indoor swimming pool with four French doors leading onto a terrace. 5 beds, 3 baths, dressing room, 3 receps, breakfast kitchen, stable and workshop, triple garage, studio, paddocks, 2.3 acres. £1.395m Maddisons Residential 01892-514100.

▶ **Perrins Oast,** Wadhurst, East Sussex. A renovated Grade II-listed twin-roundel oast house in a semi-rural location with views over open countryside. It has a new bespoke handmade kitchen with double doors opening onto a breakfast terrace, a large double-aspect sitting room with a fireplace with a wood-burning stove, and comes with planning permission to create an annexe out of the current garage. 4 beds, 2 baths, 2 receps, study, pond, gardens, 2.2 acres. £1.6m+ Batcheller Monkhouse 01424-775577.



▶ **Den Lane,** Tonbridge, Kent. A semi-detached period oast house on the edge of a village surrounded by open countryside with large landscaped gardens and a range of outbuildings. It has beamed ceilings, a brick fireplace with a wood-burning stove, and a bespoke kitchen with an Aga. 5 beds, 3 baths, 2 receps, breakfast kitchen, garage, garage/store, gardens, terraces, parking. £1m Knight Frank 01732-744476.

## Play of the week

### The Grapes of Wrath

Adapted by Frank Galati  
Runs at the National Theatre  
until 14 September

The idea of staging John Steinbeck's *The Grapes of Wrath*, his novel about the desperate conditions of farm workers during the Great Depression, is certainly ambitious. Not only is the book regarded as a classic of American literature, but the 1940s film adaption, starring Henry Fonda, is regarded as a classic in its own right. The adaptation that the National Theatre has chosen also won several awards when it debuted in 1989. As a result, there was a palpable sense of expectation from the audience in the preview performance I attended. Fortunately, this production, directed by Carrie Cracknell, lived up to our high expectations.

Tom Joad (Harry Treadaway) is on parole from prison after serving a sentence for killing a man in a fight. After meeting a former pastor, Jim Casy (Natey Jones), the duo return to Tom's family, only to find that they have been evicted from their farm and are preparing to flee from Oklahoma to California to escape starvation, believing the latter to be a paradise of plentiful work and generous pay. Grandpa (Christopher Godwin) and Granma Joad (Lin Blakley) die on the way, and Tom's brother Noah (Tom Bulpitt) abandons the family. The remaining Joads quickly discover that California is not the haven it was advertised as being.



There are some outstanding performances from the cast, including Natey Jones (left) as Jim Casy and Harry Treadaway as Tom Joad

©National Theatre/Richard Hubert Smith

*"This ambitious production lived up to expectations and succeeded in bringing the classic novel to life"*

The play contains some compelling performances from the cast, especially from Jones as Casy, Treadaway as Tom and Cherry Jones as Ma Joad. It also benefits from an outstanding set designed by Alex Eales and superb music and songs from Stuart Earl and Maimuna Memon. The combination of sound and visuals really brings the action to life, whether we are in the car that comes to symbolise variously the Joad's dreams of a better life and their desperation, or at the camps that the family drift into and out of again.

Not everything works perfectly. The opening dialogue between Tom and Jim is a little long-winded and could have been trimmed. The scenes of police brutality meted out to the families scrambling for

work really makes an impact, but it would also have been useful to see some examples of the sharp practices that the growers used against those working on their land (something the 1940s film did very well), rather than simply having them described. Those who haven't read the novel may find the ending a bit too shocking, although it earned Mirren Mack (who plays Rose of Sharon) an ovation at the end of the performance I attended.

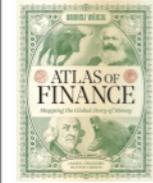
Overall, the production succeeds in bringing Steinbeck's novel to life, and putting the audience in the shoes of the millions who ended up being compelled through extreme poverty to make the journey from the dust bowl to California in the 1930s.

Reviewed by  
Matthew Partridge

## Atlas of Finance

### Mapping the Global Story of Money

Dariusz Wójcik (ed)  
Yale University Press, £30



"A picture is worth a thousand words," they say, and in the *Atlas of Finance*, Dariusz Wójcik of the National

University of Singapore has led a team of economists, geographers and illustrators to paint a picture, in the form of a collection of charts and maps, to show how the global financial system works. In so doing, Wójcik's text puts paid to the jargon and equations that bedevil books purporting to help the layperson understand finance.

It opens with a whirlwind tour of financial history that takes the reader from ancient Sumeria, where basic ideas of measurement and record keeping were pioneered, to the theories of Adam Smith, Karl Marx and JM Keynes. It then dives into modern finance, before concluding with a look at finance's impact on society and the environment. There is no attempt to provide a fully comprehensive guide to the topic – and some of the topics chosen, such as the decline of the university pension scheme in the UK, may be of more interest to the authors than the reader. Still, other parts of the book are pertinent to all our lives. It is beautifully illustrated by James Cheshire and Oliver Uberti, though not with the aim of producing a merely ornamental coffee-table book, but rather to catch the imagination and inspire people to learn more about the financial plumbing that underpins the modern world.

## Book in the news... Britain's economic decline – and how to reverse it

### Great Britain?

How We Get Our Future Back  
Torsten Bell  
Bodley Head, £20



The electorate has given its verdict on Rishi Sunak and the Conservatives. Keir Starmer and Rachel Reeves now face the challenge of meeting people's expectations at a time when the fiscal situation is worse

than many people realise, which will force the government to make hard choices about spending and tax. One man with a view about what to do is Torsten Bell, former head of the Resolution Foundation, and now newly elected Labour MP for

Swansea West. In this book, he lays out the problems the new government will have to deal with and offers some solutions.

The main reason for rising inequality and economic stagnation, Bell argues, is poor productivity. Indeed, had growth in productivity continued along the long-term trend following the financial crisis, as happened in many other developed countries, we in Britain would be roughly a third richer than we are. Instead, average output per worker is barely more than it was before the financial crisis.

Bell lays some of the blame for this on the Tory strategy of austerity and Brexit. The much bigger problem, though, in his view, is our national tendency not to invest enough in either the public or private sectors. Bell thinks the solution is more government spending and intervention.

One idea he puts forward is to combine pension funds in the hope that funds controlling larger pools of money will be better placed to hold firms to account.

But those on the left who think that any problem can be solved by simply throwing money at it are being naïve, says Bell. Indeed, there needs to be less government regulation in certain areas, especially when it comes to the planning system. He also thinks stamp duty on property could be cut in order to make it easier for people to move homes and change jobs. There is no doubt much in Bell's book that people of all political persuasions will disagree with, and the overall result is a refreshingly honest and nuanced analysis of our economic decline, and a clear-headed appraisal of what needs to be done to pull ourselves out of it.

## Bridge by Andrew Robson

### Martel's Masquerade

Chip Martel from California, appropriately sitting West, found a nice defence to defeat Four Spades on this week's deal.

Dealer South

Both sides vulnerable

<p>♠ J93 ♥ A7 ♦ J9853 ♣ KJ8</p>		<p>♠ A84 ♥ J9832 ♦ 104 ♣ AQ9</p> <p>♠ Q ♥ 1054 ♦ KQ72 ♣ 65432</p>
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#### The bidding

South	West	North	East
1♠	pass	2♥	pass
3♥	pass	3♠	pass
4♠	end		

West found the best lead of a Diamond to East's Queen, declarer correctly ducking to make it less likely that West could win an early lead and fire a Club through dummy's Ace-Queen. Declarer won the Diamond continuation with the Ace, then crossed to the Ace of Trumps and returned a second Trump to his King, East discarding.

At trick five, declarer led the Queen of Hearts and now came West's moment of glory. He rose with the ace and, without cashing the Knave of Trumps, switched to the eight of Clubs (key play). Declarer would (and probably should) have succeeded here, by finessing dummy's Queen. Believing East held the King, he instead rose with the Ace, and tried to discard his Club loser in hand on a fourth Heart in dummy. This play required West to have three hearts (along with his three Trumps), leaving East with just three major-suit cards.

Declarer's (anti-percentage) plan failed when West ruffed the third Heart and promptly cashed the King of Clubs. A red-faced declarer conceded down one.

For Andrew's four daily BridgeCasts, go to [andrewrobsonbridgecast.com](http://andrewrobsonbridgecast.com)

## Sudoku 1219

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

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

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

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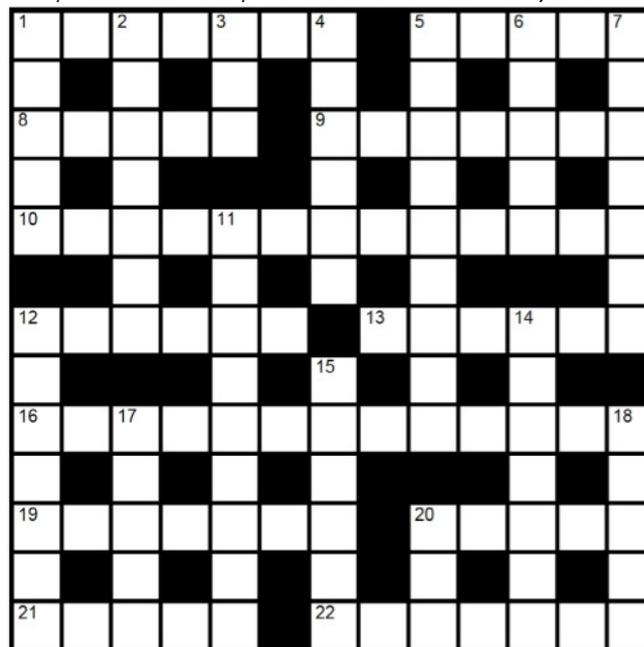
[moneyweek.com](http://moneyweek.com)

## Tim Moorey's Quick Crossword No.1219

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 12 August 2024. By post: send to MoneyWeek's Quick Crossword No.1219, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: [crossword@moneyweek.com](mailto:crossword@moneyweek.com) with MoneyWeek Crossword No.1219 in the subject field.



TAYLOR'S PORT



Across clues are cryptic whereas down clues are straightforward

#### ACROSS

- 1 Calculations are reversed for Dutch scholar (7)
- 5 Bishop wants libertine to slow down (5)
- 8 Austrian composer taking evening meal right away (5)
- 9 Deodorants working in luxury car (4-3)
- 10 Part of a rounded education? (8,5)
- 12 Country vegetable at bottom of garden (6)
- 13 Surface to dishearten tap-dancer potentially! (6)
- 16 Marseilles involved with BSE in long-term French production (3,10)
- 19 Progressive leader of Indian state (2-5)
- 20 Italian white wine? Nothing in store (5)
- 21 Heard studies from orchestral winds (5)
- 22 Sharp and caustic quip made by bloke (7)

#### DOWN

- 1 Artist's equipment (5)
- 2 Not fighting (2,5)
- 3 Lady with part in drama evening (3)
- 4 Psychiatrist (6)
- 5 Close-fitting hooded headware (9)
- 6 French romance (5)
- 7 Most simple (7)
- 11 Poverty (9)
- 12 Classic horse race (2,5)
- 14 Sack former prisoner in imposing building (7)
- 15 Stopped up and robbed (4,2)
- 17 Booby trap (5)
- 18 Perfume (5)
- 20 Transgression (3)

Name .....

Address .....

email .....

#### Solutions to 1217

**Across** 1 Assorted *anag* 5 Bash two *defs* 8 Evens (*S*)evens 9 Posties *pos* = *Chambers + ties anag* 11 Angioplasty *anag* 13 Ordeal *D & E inside oral* 14 Nepali *anag less C* 17 Lollipop man *deceptive def* 20 Penance *Pen(z)ance unknown = Z* 21 \_\_\_\_\_ Springfield *singer* 22 Ewes *take away L* 23 Stalwart *law anag inside start*. **Down** 1 Aped 2 Steward 3 Resignation 4 Employ 6 Adios 7 Hissy fit 10 Silver medal 12 Collapse 15 Amnesia 16 Modest 18 Lance 19 Cyst.

The winner of MoneyWeek Quick Crossword No.1217 is: Tony Greeves of Belfast

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

Taylor's is one of the oldest of the founding Port houses, family run and entirely dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with full-flavoured cheeses or desserts made with chocolate.



# Is China really a threat?

Perhaps they're plotting to raise our standard of living...



What new devilishness does he have up his sleeve?



**Bill Bonner**  
Columnist

“China is a party state,” Mary Kissel, a policy senior adviser, said in a Congressional hearing recently. “The function of China is not to better the interests of the Chinese people – it is to promote, strengthen, and expand the power and influence, and reach” of the ruling elites. You might well wonder: how does that makes China any different from systems closer to home?

Where did presidential candidate Kamala Harris come from, for example? Does anyone know how or why she is now in the running for the top job in the US? Was the selection process for her much different from how the Soviets chose Leonid Brezhnev, or how the Chinese chose Xi Jinping? Wasn't she selected by party honchos, behind closed doors? And isn't her mission not to “better the interests” of the American people, but to “promote, strengthen and expand the power and influence” of the Democratic party's elites?

America's problems in themselves are easy to understand and solve. Javier Milei in Argentina turned a deep deficit into a surplus in a matter of months. In America, it should be easier. The “empire

budget” could be cut in half, or more, just by eliminating the “empire” part. On the other hand, without substantial cuts to the military, there is little chance of preventing a financial catastrophe. Too bad the firepower industry controls Congress!

The US has the most powerful empire the world has ever seen, with some 700 military bases all over the world and a military budget eight times bigger than Russia and three times more than the Chinese. The total empire budget – including foreign aid and other entanglements –

*“Javier Milei turned a deep deficit into a surplus in months”*

comes to about \$1.3trn per year. And as long as it continues, the deeper into the hole the US goes. Thanks to the luck of its geography, America faces no danger from the land or the sea. The only plausible attack would come from the air. And the cost of maintaining a defence against it – with an Eisenhower Era level of reasonable military muscle – is probably around a quarter of the entire empire budget, or about \$300bn per year. The rest of the budget plays no real role in the defence of the 50 states.

But neither Republicans nor Democrats propose to

make the obvious and essential cuts. Instead, they paint their faces and pound the drums, whooping for war. The foreigners are all out to get us, they insist. We've lived among foreigners for the last 30 years, with business outposts in China, India, Australia and several other nations. Never once did we get the impression that they were ready to slit our throats.

But listening to recent congressional hearings, we felt lucky to get home alive. Kissel said that the Chinese aim is to “upend our way of life and to dominate and change our way of life” and that they are “committed to destroy[ing] us”. And members of Congress – all supposedly intelligent, educated people – took it seriously.

The Chinese want to change our way of life? How? Make our wages go up at 7% per year, as theirs have for the last 30 years (while ours have been flat)? Since 1979, the Chinese have multiplied their GDP by 30 times – three times faster than the US; they've lifted 800 million people out of grinding poverty in a single generation. Is that the way they'd change our way of life? Heck, maybe we'd all learn to speak Chinese if that were the payoff...

For more from Bill, sign up to his Substack newsletter at [bonnerprivateresearch.com](https://bonnerprivateresearch.com)

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**Account director:** Richard Heaton  
[richard.heaton@futurenet.com](mailto:richard.heaton@futurenet.com)

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**MoneyWeek**  
121-141 Westbourne Terrace,  
London, W2 6JR  
**Email:** [editor@moneyweek.com](mailto:editor@moneyweek.com)

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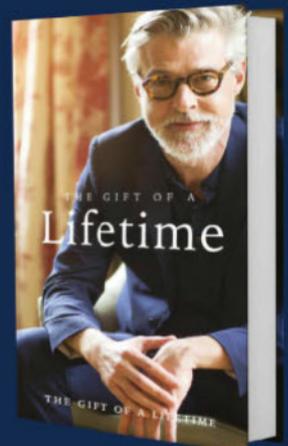
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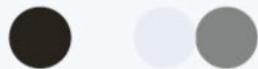
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