



The cure for Germany's economic sickness

MARTIN WOLF, PAGE 17

Are weight loss drugs behind a baby boom?

ANJANA AHUJA, PAGE 16

Boldly going Race for the Moon revived

For several decades, Earth has left the Moon alone. But the global race to explore and colonise our planet's natural satellite is reaching its final stage.

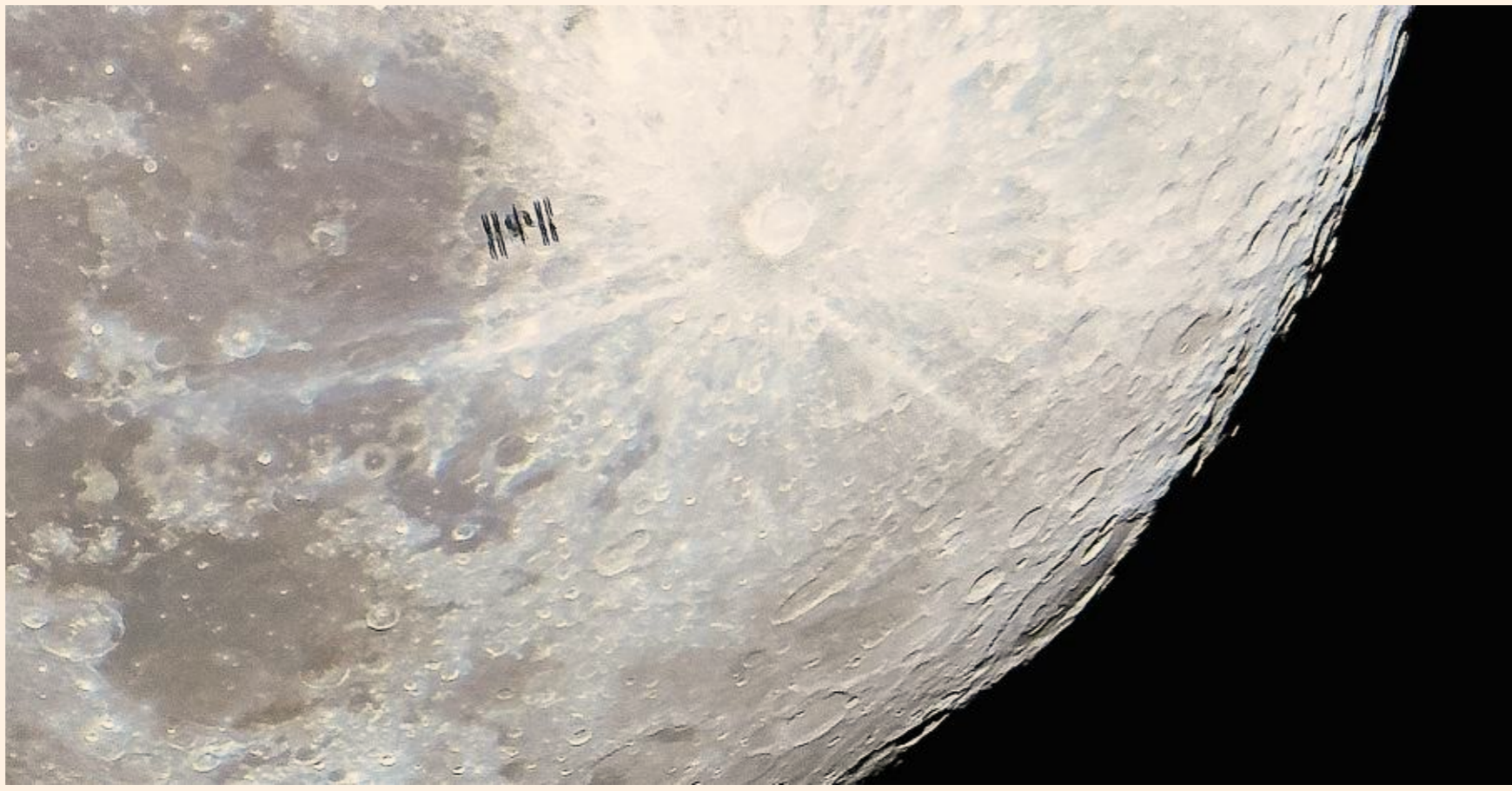
The US and its allies are jostling with India and China to be the first to claim the most desirable locations on the lunar surface where they can settle humans and their machines.

With water essential for settlements, disputes are likely to focus on the south pole, which is believed to hold the Moon's largest concentration of ice.

Nasa's Artemis programme, backed by Europe and Japan, is the frontrunner to land astronauts back on the Moon. The US agency's target date is September 2026.

But while the best outcome by 2050 would be a permanent human presence, the missions might also result in little more than sporadic scientific trips.

Big Read page 15



Heading back: the International Space Station photographed from Turkey with the full Moon in the background — Yunus Turkyilmaz/Anadolu via Getty Images

Briefing

Ackman touts his high profile as fund's best asset

Hedge fund manager Bill Ackman has told potential backers of the investment fund he is working to take public that his prolific social media presence will help the potential \$25bn vehicle trade at a premium valuation. — PAGE 5

IMF still wary of inflation

Chief economist Pierre-Olivier Gourinchas has warned that progress on curbing price rises could yet stall on the back of high services costs, scuppering any hope of early rate cuts. — PAGE 4

Morgan Stanley prospers

Profits rose more than 40 per cent in the second quarter to \$3.1bn but the Wall Street investment bank has suffered a slowdown in growth in its cornerstone wealth management business. — PAGE 5

Israeli strike kills Syrian

A prominent Syrian businessman with close ties to President Bashar al-Assad's regime and Iran-backed militant groups has been killed in an Israeli air strike near Syria's border with Lebanon. — PAGE 4

Deutsche stands accused

The German bank's 2019 financial report did not meet international accounting standards because it lacked key details on historical US losses, German financial watchdog BaFin has said. — PAGE 6

Household loans rebound

Demand for loans has risen from Eurozone households for the first time in two years as consumers respond to falling house prices, lower borrowing costs and rising optimism for the economy. — PAGE 2

China bottled water spat

Beverage group Nongfu Spring, founded by China's richest person, has demanded that a Hong Kong watchdog apologise for saying its bottled water had hit the EU's limit for bromate content. — PAGE 5

Turkey business tax rejig

Ankara has unveiled plans for an overhaul of its corporate tax structure, including a 10 per cent minimum rate, as policymakers seek to cool the \$1tn economy and boost government coffers. — PAGE 2

Trump's choice of Vance as deputy fuels European fears for security ties

◆ Isolationist named as running mate ◆ Ukraine aid cast into doubt ◆ Tariffs pose economic threat

FELICIA SCHWARTZ — ASPEN
HENRY FOY — BRUSSELS
JOHN PAUL RATHBONE — LONDON

Donald Trump's selection of arch-isolationist JD Vance as his running mate has cemented Europe's fears that a second Trump term would reduce transatlantic security ties, increase tariffs and sever critical US support for Ukraine.

Vance has dismissed American security guarantees as a crutch that has allowed Europe "to ignore its own security" and argued that US aid for Ukraine is unnecessary.

Trump's choice of the 39-year-old has intensified US allies' concern that he will run a protectionist "America first" administration, with huge implications for Europe's defence and economy.

"If Trump is elected and continues

with the policy preferred by Vance, he may announce the abolition of Nato or US leadership of it at least," said Rob Johnson, a recent director of the UK's Ministry of Defence. "That would be the signal for Russia to regenerate its power over a decade with China and apply more coercion against Nato. We are entering a very dark period indeed."

Trump's lead in polling before November's vote and incumbent Joe Biden's

Opting for Vance signals that Trump feels bullish. He is so confident of his support that he chose the closest thing to a mini-me he could find

Edward Luce
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poor performance in their televised debate have unnerved Europe's capitals.

Reacting to Vance's nomination, Guy Verhofstadt, a European parliament member and former Belgian premier, posted on X that there would be "more champagne popping in the Kremlin".

In another sign of possible transatlantic tension, Vance said last week that the UK under its new Labour government could become an "Islamist country".

Trump said this year that London was "unrecognisable" because it had "opened its doors to jihad", referring to pro-Palestinian protests. About 6.5 per cent of the UK population is Muslim.

Deputy UK premier Angela Rayner said she did not "recognise" Vance's characterisation of Britain.

In an interview last year, Olaf Scholz,

the German chancellor, praised Vance's memoir, *Hillbilly Elegy*, saying it had moved him to tears. But he added it was "tragic" that a "self-declared conservative opponent of Donald Trump who analyses so trenchantly the injustices of American society" had "turned into such a fiery advocate of this rightwing populist, just to gain his support and himself become a senator".

More broadly, many European officials worry that Trump would use a second term to impose blanket tariffs on imports that would damage the EU economy. They are also concerned by the impact of his policies on the Nato alliance and the war in Ukraine.

Nils Schmid, Germany's foreign affairs spokesman, described Vance as "more radical than Trump in his desire

to suspend all further US military aid to Ukraine", adding: "In that respect he's more isolationist than Trump."

Vance has called on Ukraine to cede territory to end the war. The position closely aligns with the terms laid out by Russian President Vladimir Putin last month for beginning peace talks.

Kyiv has rejected calls for talks with Moscow while Russia occupies large parts of Ukraine. But Trump intends to demand such talks immediately if he wins the election and has "well-founded plans" on how to do so, Hungarian Prime Minister Viktor Orbán said after meeting him last week.

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Luxury brands slash prices in half as China's acquisitive classes turn frugal

ANNACHIARA BIONDI — LONDON
THOMAS HALE — SHANGHAI

Luxury goods are being discounted at rates as high as 50 per cent in China as middle-class shoppers rein in spending on big-ticket items and retailers grapple with overstocking.

The discounts in the country are being offered mainly by aspirational brands such as Versace and Burberry, as China's once-voracious middle-class consumers become more frugal, according to industry insiders and experts.

Those brands had started selling their goods on local e-commerce platforms to capitalise on a boom in luxury spending during the pandemic. But the e-commerce companies are slashing prices to drive traffic in a slow economy.

Marc Jacobs this month offered a discount of more than 50 per cent on hand-

bags, clothing and shoes on Tmall Luxury Pavilion, Alibaba's premium e-commerce platform, while Bottega Veneta was offering a 24-month interest-free loan to purchase bags on the same site.

In the past, "everyone was a winner" in China's luxury market, said Jonathan Siboni, founder of data platform Luxurysight in Paris. "Now there is a polarisation between winners and losers."

He added: "The challenge is for the brands that are stuck in the middle and they are not cheap enough or not big enough to survive."

Average reductions on Versace and Burberry products in China have hit 50 per cent or more this year, up from 30 and 40 per cent in 2023, respectively, according to Luxurysight.

Burberry warned in its first-quarter update this week that annual profits would miss forecasts, with comparable

store sales in mainland China down 21 per cent. Chinese customer spending overseas "declined but held up better than mainland China", the group said.

Top-tier labels such as Louis Vuitton, Hermès and Chanel, which target higher spenders, have kept stronger control on distribution and avoided discounts, according to experts.

China's domestic luxury market doubled in size between 2019 and 2021, according to consultancy Bain, as travel restrictions during the pandemic forced shoppers to purchase goods at home.

By October 2020, a total of 200 luxury brands had joined Tmall. "Chinese consumers couldn't go anywhere, so they shopped domestically, no matter how much you charged," said Veronica Wang, partner at consulting firm OC&C. Versace, Marc Jacobs and Burberry did not respond to requests for comment.



Freshfields finds magic solution to US success

Analysis ► PAGE 7

Country	€4.60	Malta	€4.20
Austria	€4.60	Malta	€4.20
Bahrain	Dir19	Morocco	Dh50
Belgium	€4.60	Netherlands	€4.50
Croatia	€4.50	Oman	OR1.60
Cyprus	€4.30	Pakistan	Rupee350
Czech Rep	Kc130	Poland	Zl26
Denmark	DKr47	Portugal	€4.30
Egypt	EE100	Russia	€5.00
France	€4.60	Serbia	NewD550
Germany	€4.60	Slovenia	€4.30
Greece	€4.30	Spain	€4.30
Hungary	Ft1480	Switzerland	SFr6.80
India	Rup220	Tunisia	Din7.50
Italy	€4.30	Turkey	TL150
Luxembourg	€4.60	UAE	Dh25

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STOCK MARKETS				
	Jul 16	Prev	%chg	
S&P 500	5649.71	5631.22	0.33	
Nasdaq Composite	18464.27	18472.57	-0.04	
Dow Jones Ind	40721.97	40211.72	1.27	
FTSEurofirst 300	2052.08	2058.17	-0.30	
Euro Stoxx 50	4951.51	4983.11	-0.63	
FTSE 100	8164.90	8182.96	-0.22	
FTSE All-Share	4482.44	4490.19	-0.17	
CAC 40	7580.03	7632.71	-0.69	
Xetra Dax	18518.03	18590.89	-0.39	
Nikkei	41275.08	41190.68	0.20	
Hang Seng	17727.98	18015.94	-1.60	
MSCI World \$	3629.58	3627.52	0.06	
MSCI EM \$	1120.27	1123.56	-0.29	
MSCI ACWI \$	828.73	828.56	0.02	
FT Wlshire 2500	7235.93	7209.15	0.37	
FT Wlshire 5000	56304.20	56083.50	0.39	

CURRENCIES					
Pair	Jul 16	Prev	Pair	Jul 16	Prev
\$/€	1.088	1.092	€/£	0.919	0.916
\$/¥	1.295	1.298	€/¥	0.772	0.770
£/¥	0.840	0.841	€/¥	1.190	1.189
¥/\$	158.595	157.875	¥/€	172.536	172.353
¥/€	205.341	204.977	£ index	84.735	84.767
SFr/€	0.975	0.977	SFr/£	1.160	1.162

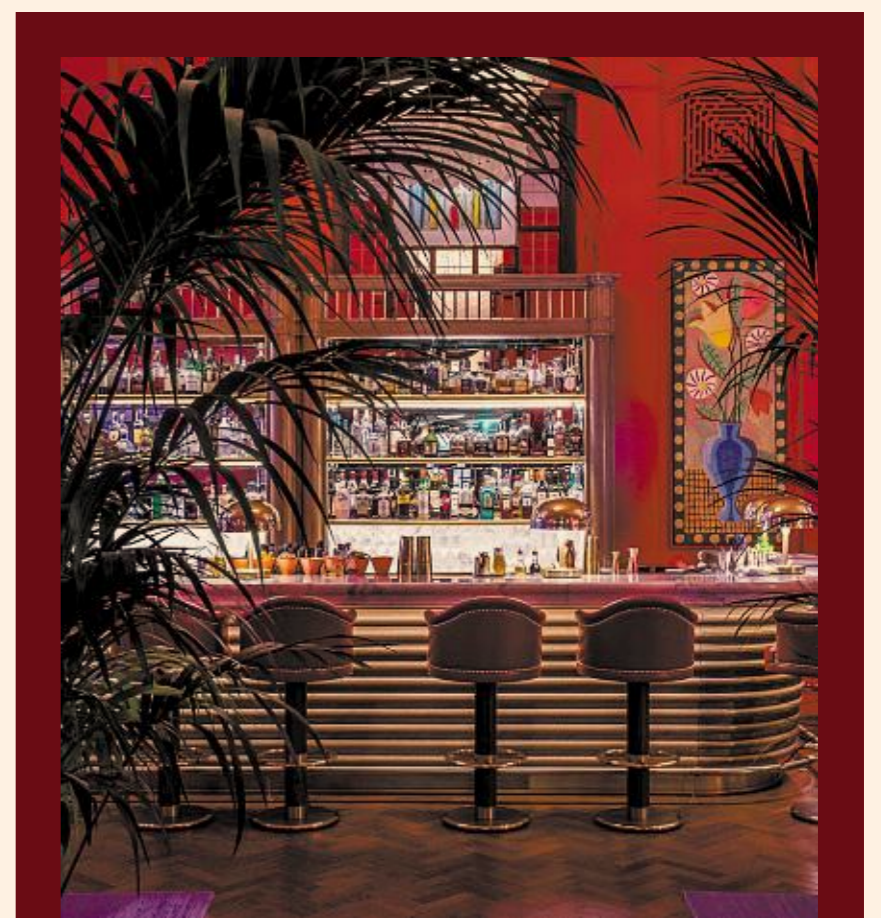
GOVERNMENT BONDS				
Yield (%)	Jul 16	Prev	Chg	
US 2 yr	4.46	4.44	0.01	
US 10 yr	4.18	4.21	-0.03	
US 30 yr	4.39	4.44	-0.05	
UK 2 yr	3.96	4.05	-0.09	
UK 10 yr	4.15	4.20	-0.05	
UK 30 yr	4.54	4.60	-0.06	
JPN 2 yr	0.31	0.32	-0.01	
JPN 10 yr	1.02	1.05	-0.03	
JPN 30 yr	2.16	2.17	-0.01	
GER 2 yr	2.76	2.80	-0.04	
GER 10 yr	2.40	2.45	-0.05	
GER 30 yr	2.61	2.66	-0.05	

CRYPTO				
	Jul 16	Prev	%chg	
Bitcoin (\$)	64445.00	64885.00	-0.68	
Ethereum	3454.00	3476.90	-0.66	

COMMODITIES				
	Jul 16	Prev	%chg	
Oil WTI \$	80.95	81.91	-1.17	
Oil Brent \$	83.97	84.85	-1.04	
Gold \$	2421.25	2406.85	0.60	

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INTERNATIONAL

Consumer debt

Eurozone household loan demand rises

Falling property prices and lower borrowing costs drive increase in take-up

MARTIN ARNOLD — FRANKFURT

Demand for loans has risen from households in the Eurozone for the first time in two years as consumers react to falling house prices, lower borrowing costs and rising confidence in the economy.

The European Central Bank said “improving housing market prospects” — particularly in Germany, Europe’s biggest economy — were the main driver of the rebound in demand for mortgages and consumer credit,

according to its quarterly survey of banks.

The rebound in household loan demand gives support to the Eurozone economy’s tentative recovery but a pick-up in borrowing could also help to keep inflation high, increasing policymakers’ caution on interest rate cuts.

The ECB, which is expected to keep rates on hold this week after starting to cut them last month, has identified the extent to which bank lending is restricted by higher borrowing costs as one of the big factors that will determine the pace of monetary policy easing.

“If more evidence of stronger than expected loan demand emerges, the governing council may have to hold pol-

icy rates or cut at a much slower pace than markets expect,” said Tomasz Wieladek, economist at investor T Rowe Price.

Swap markets are pricing in two more quarter-percentage point cuts in the ECB’s deposit rate of 3.75 per cent before the end of this year.

Claus Vistesen, economist at the consultants Pantheon Macroeconomics, doubted that a pick-up in household borrowing would be enough to deter the ECB from cutting rates in September and again in December. But he added: “A firming credit cycle chimes with our view that the ECB will cut less than markets expect next year.”

The ECB survey showed that loan

demand from businesses continued to fall for the seventh consecutive quarter because of reduced investment activity and higher rates on corporate loans.

Banks slightly eased terms and conditions for household loans in the second quarter, while tightening them for businesses — particularly on commercial property loans, it said.

But it found that banks expected loan demand to rise from both household and corporate borrowers in the third quarter.

Increased demand for mortgages was particularly strong in Germany, it said, which was “consistent with improvements in housing affordability due to a relatively strong decline in residential

real estate prices in recent quarters”.

German house prices fell 8.4 per cent last year, one of the biggest drops in the Eurozone, where prices on average declined 1.1 per cent from the prior year.

There have recently been signs of a stabilisation in parts of the Eurozone housing market. Residential property prices fell at a quarterly rate of 0.1 per cent in the first three months of this year — a slower decline than the 0.8 per cent drop in the previous quarter.

The ECB said the pick-up in demand for mortgages also reflected falling borrowing costs — as banks lowered borrowing rates in anticipation of rate cuts this year — and improved consumer confidence.

Reform package

Turkey plans minimum tax on companies to help cool high inflation

ADAM SAMSON — ANKARA

Turkey has unveiled plans for an overhaul of its corporate tax structure, including a 10 per cent minimum rate, as policymakers seek to cool the country’s 51st economy and boost government coffers.

President Recep Tayyip Erdoğan’s ruling Justice and Development party (AKP) yesterday circulated a wide-ranging tax reform package to key parliamentary committees for review.

The reforms aim to broaden the tax base and help to bring down scorching inflation by tightening fiscal policy. They come as part of a wider economic turnaround programme that began after Erdoğan’s re-election in May 2023.

The AKP, which leads a coalition that controls parliament, set out plans that include a minimum corporate tax rate and changes to the treatment of property investment trusts.

Under the proposal, Turkey will impose a minimum tax rate of 10 per cent for most established companies regardless of exemptions. The standard statutory corporate income tax rate is set at 25 per cent but some companies use exemptions to achieve a much lower effective rate.

Multinationals with an annual turnover of more than €750m would also face a 15 per cent minimum tax on global income. The move would bring Turkey in line with an OECD deal aimed at keeping businesses from seeking refuge in low-tax havens.

The tax plans would also give authorities a broader toolkit to audit companies and apply penalties to those found in breach of rules — a move aimed at curbing Turkey’s underground economy.

Ankara’s economic team, led by finance minister Mehmet Şimşek, has tightened fiscal policy over the past year as part of its goal of curbing inflation that exceeded 70 per cent in June. Policymakers are seeking to correct other severe imbalances caused by Erdoğan’s previous unorthodox economic policies, which included ultra-low interest rates and big pre-election giveaways.

The proposed corporate tax package comes after the government last year increased value added tax on a range of goods and services and tripled levies on petrol, among actions aimed at restoring “rational” economic policymaking.

“We will maintain our efforts to ensure that no area is left untaxed in Turkey,” Şimşek said yesterday.

The revenue-raising initiatives have amplified the pressure on ordinary Turks and contributed to a severe erosion in the popularity of Erdoğan’s AKP in March’s local elections.

In an effort to ease some of that pressure, the AKP said yesterday that it planned to increase the minimum public pension by TL2,500 to TL12,500 (\$378) a month. The change will apply to only about 3.7m pensioners on the lowest rung of the scheme.

Officials are betting that the tax changes will help reduce Turkey’s government budget deficit, which has widened as a result of costs stemming from last February’s devastating earthquake in the south.

The general government budget deficit reached 5.3 per cent of GDP last year, the highest since 2009.

Europe. Political instability

France struggles to revive lost art of compromise

Rival factions in fragmented

National Assembly bid to form durable administration

ANNE-SYLVAIN CHASSANY — PARIS

On the brink of civil war and with governments surviving less than two months, France in 1958 turned to General Charles de Gaulle to rewrite the constitution and keep an unruly parliament in check.

More than six decades later, the rise of populist forces has reopened an old chapter in French history that De Gaulle’s Fifth Republic was meant to have closed: parliamentary chaos.

Snap elections have yielded the most fragmented National Assembly in the country’s postwar history, with no party or bloc gaining sufficient seats to govern alone and the far right emerging as the third-largest faction.

Efforts by President Emmanuel Macron’s centrists and a rival leftwing bloc to revive a long-buried tradition of parliamentary compromise have resulted in immediate bickering.

“It is the crash-test of the system à la française, which is no longer fit to deal with today’s political forces,” said Tristan Mendès France, grandson of Pierre Mendès France, who headed a seven-month-long government from 1954–55.

At stake is the ability to find a durable government for the Eurozone’s second-largest economy. As Russia continues to wage its war in Ukraine, a France beset by government instability could have consequences for the EU and Nato.

Macron, who cannot call parliamentary elections again until June next year, has said he would give the newly elected assembly some time before using his constitutional prerogative to appoint a new prime minister. He has urged parties to “to build a solid majority” excluding the far right and far left.

Deep divisions have resurfaced within the leftwing Nouveau Front Populaire, which came first with 193 seats in the 577-strong parliament and was quick to claim the right to nominate a premier.

But after a week of talks, the NFP — spanning centre-left Socialists, greens, Communists, and the far-left La France Insoumise (France Unbowed) of anti-capitalist Jean-Luc Mélenchon — has yet to agree on a name for PM.

Even if they reach consensus and if Macron appoints their candidate,



Seeing red: protesters brand the far right as fascists during this month’s election. Below, leftwingers oppose the inauguration of Charles de Gaulle in 1958

Violeta Santos Moura/Reuters; AFP/Getty Images



others, including the conservative Les Républicains and Marine Le Pen’s far-right Rassemblement National, have already signalled they would call a vote of no confidence against any government that included LFI ministers.

Macron’s own Renaissance party may suffer defections: some of its more leftwing members said they wanted to form their own parliamentary group. Other centrist allies are pushing for a deal with the conservatives, who have so far been reluctant to team up after

criticising the president. Unlike Germany or the Nordic countries, which have long practised the delicate art of coalition building, France has lost its ability to compromise, said Marie-Anne Cohendet, a professor in constitutional law. “In France it’s more confrontational, pitting one bloc against another,” she said.

Instead, French party politics are usually about winning the presidency, with Macron’s second and final term ending in 2027. “In France, the presidential elections are at the heart of everything,” said Enrico Letta, former Italian prime minister. “Today they must strike a deal that has nothing to do with the presidential election since the issue is how to run the country. You need politicians willing to make compromise. But some of them, including Mélenchon, are already campaigning for 2027. This overlap is unique to France.”

France’s 1958 constitution brought an end to political instability by strengthening executive power, favouring the emergence of a parliamentary majority serving a directly elected president. It grants the government many tools to

‘Today they must strike a deal that has nothing to do with the presidential election since the issue is how to run the country’

Trade

EU accused of using wrong deforestation data to ban imports

ANDY BOUNDS AND ALICE HANCOCK BRUSSELS

Brussels is using incorrect data for a far-reaching initiative to ban imports from deforested land, Australia and Brazil have alleged, as they step up demands for a delay to the new regime.

Several countries say the EU could unilaterally bar imports of palm oil, leather, coffee and a host of other goods from areas that should be exempt when the law comes into force on December 31.

“The EU’s map is not a single source of truth but acts as one possible source of information for EU operators and competent authorities to determine if deforestation has occurred,” said the Australian embassy in Brussels.

It said there were differences between Canberra’s 2023 Forests of Australia map and a 2020 map from the EU Observatory on deforestation and forest degradation, because they used different definitions of forested areas.

The EU law aims to prevent consumption within the bloc from causing deforestation beyond its borders by banning the import of products made from cattle, wood, cocoa, soya, palm oil, coffee

and rubber linked to cleared land. Trade in these goods and related products was worth about €126bn in 2022, according to S&P Global.

The rules, agreed by EU policymakers in December 2022, also apply internally to EU countries but have been opposed by more than 20 of the bloc’s agricultural ministries for the administrative burden that it will heap on their countries’ foresters and farmers.

Austria, backed by six other member states including Finland and Greece, called on Brussels to “firmly reconsider the timeframe for the application of the deforestation regulation” at a meeting of EU agriculture ministers on Monday. It added that the commission should also “adequately address serious concerns related to its implementation”.

The Australian embassy said Brussels had yet to publish guidance on how to comply with the rules, and several member states had not yet nominated a national authority to police imports.

“Australian producers need to prepare for export to Europe months before the year-end deadline to account for shipping time, yet significant questions remain, such as clarification about

what counts as a predominantly agricultural land use,” the embassy said. It had requested a delay in implementing the rules “until all required arrangements are understood and effectively in place”.

“Our private sector has documented multiple cases of cocoa and coffee plantations, as well as commercially grown tree plantations, that are misidentified as forests,” said Pedro Miguel da Costa e Silva, Brazil’s ambassador to the EU.

Diplomats said at least three other countries, including Canada, had complained about the maps. Australia, Brazil and Colombia are among the nations

to have joined the US in calling for the EU to delay the legislation. Two European commissioners have backed a pause until there is more comprehensive guidance on how to comply.

“European operators and competent authorities should co-operate with producer governments to use local monitoring systems that have much higher precision rates,” Da Costa e Silva said, adding Brazil had free-to-use, “state of the art” monitoring. He criticised the “imposition of European standards and norms on other countries” without collaboration and warned that producers would have to spend millions of euros on private sector compliance systems.

EU environment commissioner Virginijus Sinkevičius has said there are no plans to delay the law. Sinkevičius, a Lithuanian politician who also ran in EU elections in June, is leaving the commission to take up a seat in the European parliament this week.

The commission in March agreed to delay the classification of countries as having either “low”, “standard” or “high” deforestation risks, a system that will eventually determine the amount of customs checks required for imports.



Target of rules: land cleared for growing palm oil in Indonesia

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INTERNATIONAL

Rise of Vance splits corporate America

Ideological approach alarms traditional Republicans on Wall St but he has support in Silicon Valley

LAUREN FEDOR — NEW YORK

JD Vance vaulted on to the national stage back in 2016 with the publication of a bestselling memoir, *Hillbilly Elegy*, about his upbringing in white, working-class America. At the time, he described himself as a “never Trump guy”.

Eight years later Vance, a Republican senator since 2022, is now former president Donald Trump’s running mate in the 2024 election.

Vance’s elevation to being a heartbeat away from the presidency marks a remarkable rise for the 39-year-old US Marine Corps veteran and Yale Law School graduate who worked in venture capital before turning to politics.

It also provides another example of a Republican who went from a “never Trumper” to a loyal acolyte and a glimpse into how the Maga movement, and the wider Republican party, might look in a post-Trump era.

Vance has embraced an isolationist foreign policy vision and has been among the loudest Republican voices

opposing more US aid to Ukraine. He has also attracted sharp criticism for embracing Trump’s claims that the 2020 presidential election was fixed, including saying that if he had been in the US Senate at the time he would have voted against certifying the results on January 6 2021.

But it is Vance’s brand of economic populism that has divided the business community. Vance, whose 2022 Senate campaign was bankrolled in part by PayPal founder Peter Thiel, has vocal fans in Silicon Valley. He helped organise a high-profile fundraiser for Trump in San Francisco last month hosted by tech investors David Sacks and Chamath Palihapitiya.

Yet his ideological approach has rung alarm bells among more traditional Republicans on Wall Street and beyond who fear the Ohio senator will be in a position to influence Trump and shape the party platform for years to come.

“We are very concerned about JD Vance playing an outsized role in a Trump administration,” said one big

bank lobbyist. “Trump populism and Vance populism are not the same.”

“He represents a populist mindset, and he is clearly smart and considered the future of the party,” said another financial services lobbyist, who called him an “intellectual powerhouse.”

“He represents something in the

‘We are very concerned about JD Vance playing an outsized role in a Trump administration’

country that the coastal elites and big business have taken too long to recognise,” the lobbyist added, in an apparent reference to Vance’s ability to channel the anger and disenfranchisement of the working classes.

Vance has espoused a protectionist trade policy, stricter immigration laws, higher minimum wages and a more aggressive approach to antitrust enforcement. He made headlines ear-

lier this year when he described Federal Trade Commission chair Lina Khan as one of the Biden administration officials “doing a pretty good job”.

Those kind of comments have concerned investors in particular. One top New York dealmaker said picking Vance as vice-president “would not be reassuring to the business community, and could signal an anti-M&A mindset for the second Trump administration”.

One private equity investor said there was “no question” Trump was “better [than Joe Biden] for Wall Street as well as business broadly”, but added: “He needs to stick to a pro-business agenda and he’ll win . . . we don’t need a Republican Bernie Sanders.”

People close to Vance push back on any comparisons between the Ohio senator and Sanders, a self-described Democratic socialist who has long been a leader on the left.

“Vance doesn’t hate capitalism. He doesn’t hate business. He loves it . . . he loves creation . . . it is not like [Democratic Ohio senator] Sherrod Brown’s or

Bernie Sanders’ nostalgia . . . it is not that longing for the static society,” said one longtime friend.

Mark Kvamme, an Ohio-based venture capitalist who has raised money for Vance, described the senator as a “business guy” and a “clear thinker”.

“Some people see him as an ideologue. I don’t see that at all. I see him as a guy who thinks through the issues,” Kvamme said. “He is very methodical.”

Those same allies are also quick to defend Vance’s journey from Trump critic to Trump loyalist, arguing the *Hillbilly Elegy* author who was once feted by coastal elites has always been at his core an ally of the white, working-class community that shaped his early childhood.

As one Republican operative who is close to Vance put it: “He has always viewed himself not as an elite but as somebody who wants to fight for the working class.”

Additional reporting by Brooke Masters and James Fontanella-Khan in New York
Janan Ganesh and Katie Marfin
see Opinion

Super Pac

Tech titans line up to fund former president’s re-election

ALEX ROGERS — MILWAUKEE
TABBY KINDER, HANNAH MURPHY AND GEORGE HAMMOND — SAN FRANCISCO

Palantir Technologies co-founder Joe Lonsdale, a trio of venture capital pioneers and the Winklevoss twins are among technology and business leaders who have donated to a new super-political action committee supporting Donald Trump’s presidential bid.

America Pac has raised more than \$8.7m since its launch in June, according to a public filing, including several \$1m donations from Silicon Valley investors who have publicly backed Trump in recent weeks.

Donors include Sequoia partner Shaun Maguire and Valor Equity Partners founder Antonio Gracias, as well as Doug Leone, a Sequoia co-founder, and Lonsdale of SVC and Palantir.

One person with direct knowledge of the super Pac said Tesla and X chief executive Elon Musk was planning to donate. Musk is a close business associate of many of the donors, including Lonsdale. Musk did not immediately respond to a request for comment.

Marc Andreessen and Ben Horowitz have told staff at their venture capital firm Andreessen Horowitz that they will back Trump. “This is a new endeavour because they feel there is so much at stake on the crypto side, on the AI agenda at the firm . . . It doesn’t mean support for [Trump’s] views on immigration,” said one person with direct knowledge of their plans.

Coal titan Joe Craft, the chief executive of Alliance Resource Partners, as well as Jimmy John Liautaud, the founder of the Jimmy John’s sandwich chain, also each made \$1m donations, while Cameron and Tyler Winklevoss each donated \$250,000, filings showed.

Silicon Valley has long been considered one of the most liberal regions in the US, but some tech leaders, disenchanted with President Joe Biden’s position on regulation and taxes, have been tilting to the right.

Trump has played to libertarian-leaning entrepreneurs and venture capitalists with pledges to protect free speech and back the cryptocurrency industry.

Musk endorsed Trump on Saturday, shortly after an assassination attempt on the Republican candidate at a rally in Butler, Pennsylvania. “Last time America had a candidate this tough was Theodore Roosevelt,” Musk wrote on X. Hedge fund billionaire Bill Ackman also said on Saturday he was “formally” endorsing Trump.

Musk also praised Trump’s “excellent” pick of senator JD Vance, a former venture capitalist, as his running mate on Monday. “Trump-Vance,” Musk wrote on X. “Resounds with victory.” Musk had previously supported Democrats including Biden, Hillary Clinton and Barack Obama.

Vance has long-standing ties to elite technology circles, having worked for Peter Thiel’s venture fund Mithril Capital in San Francisco between 2015 and 2017 and later for Washington-based venture fund Revolution, started by AOL chief executive Steve Case.

Thiel gave \$15m to support Vance’s Senate run in 2022 through a donation to the Protect Ohio Values Pac, according to federal election records.

What he said

On the assassination attempt

‘The central premise of the Biden campaign is that Donald Trump is an authoritarian fascist who must be stopped at all costs. That rhetoric led directly to Trump’s attempted assassination’
X, July 14

On the 2020 election

‘I think the election was stolen’
Said during a television debate in April 2022

On abortion

‘It’s not whether a woman should be forced to bring a child to term, it’s whether a child should be allowed to live’
Spectrum News podcast, Sept 2021

On Ukraine

‘There is frankly no good reason that aid from the US should be needed. Europe is made up of many great nations with productive economies. They ought to have the capacity to handle the conflict’
FT opinion piece, Feb 2024



Making a point: JD Vance on the first day of the Republican convention
Brendan Smialowski/AFP/Getty Images

Trump’s confidence on display in his mini-me choice of running mate

INSIGHT

Edward Luce



If there were any doubts that Donald Trump would go full “America First”, the Republican presidential candidate banished them on Monday with his vice-presidential pick. JD Vance is the most high-profile Trumpian cheerleader among senior Republicans.

Trump could have held his nose and chosen Nikki Haley, the former South Carolina governor, who gave him the biggest run for his money in the Republican primaries. Haley is a relative moderate on abortion. Selecting her, or a like-minded figure, would have sig-

nalled that he wanted to broaden his appeal to wavering suburban female Republicans.

Vance, by contrast, is an unapologetic Christian conservative. If Joe Biden, president, can find a silver lining in the gathering storm clouds, Vance would be it. Biden’s vice-president, Kamala Harris, is an effective campaigner on a woman’s right to choose.

Opting for Vance is thus a sign that Trump is feeling very bullish. Vice-presidential picks rarely have a discernible impact on election outcomes. But they signal what the nominee is thinking.

Biden chose the youngish mixed-race Harris in 2020 to balance the fact that he was an elderly white male. Trump, by contrast, is so confident of his party’s support that he chose the closest thing to a mini-me he could find.

Much will be made of the fact that Vance used to be a never-Trumper. He told a former college roommate in 2016

that Trump could be the “American Hitler”. Trumpism was “cultural heroin” to blue-collar US voters, he said. Democrats will try to make hay with Vance’s erstwhile loathing for his new boss.

It is ironic that Vance was at the forefront of those accusing Biden of having

Irrespective of his U-turn, Vance is an intelligent and forceful exponent of Trumpism

incited the attempted assassination of Trump on Saturday. Unlike Vance, Biden has never likened Trump to Hitler. It is not hard to depict Vance as a rank opportunist who saw obeisance to Trump as the only path forward in today’s Republican party. There are also Vance’s close ties to Silicon Valley

money. His 2022 Ohio Senate campaign was largely funded by Peter Thiel, the west coast venture capitalist. Vance’s selection was greeted enthusiastically by Elon Musk, fellow billionaire and friend of Thiel, who endorsed Trump only two days earlier following his near miss in Pennsylvania.

It would be a negligent Democratic campaign that did not exploit the tension between Vance’s blue-collar roots, which are genuine, and his plutocratic sponsors.

But Vance is no pushover. Irrespective of his U-turn on Trump, he is an intelligent and forceful exponent of Trumpism. At 39, he can also claim to be its future. No Republican senator has done as much to sell Project 2025, organised by conservative think-tank the Heritage Foundation, which fleshes out Trumpism in great detail. Vance ticks all the boxes. He is a Christian nationalist, a critic of globalisation, a deep sceptic of

Nato and a believer in the existence of the deep state, which he wants to dismantle. Haley does not fit any of those criteria.

His elevation would be good news for Russia President Vladimir Putin. Vance has consistently opposed providing further US military aid to Ukraine. But he goes much further. He is an avowed fan of Hungary’s Viktor Orbán and a darling of that transatlantic far-right circuit.

In picking Vance, Trump is signalling two things. First, he expects to win November’s presidential election. Second, he wants to put the full Make America Great Again agenda into practice. Democrats will focus on Vance’s weaknesses and career opportunism, as they should. But they should also take note of Trump’s remarkable sense of confidence. It is not clear that it is misplaced.

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Security

Female Secret Service agents criticised over assassination bid

JOE MILLER — NEW YORK

Mere hours after a cadre of Secret Service agents risked their lives to shield Donald Trump from a would-be assassin’s fire, members of the former president’s security detail were themselves coming under attack.

“There should not be any women in the Secret Service,” rightwing commentator Matt Walsh wrote on X, posting a video showing three female agents ushering Trump into a vehicle. “These are supposed to be the very best, and none of the very best at this job are women.”

Amid scrutiny of the agency for its alleged failings in preventing Saturday’s assassination attempt in Pennsylvania, and legitimate questions over security lapses at the rally site, misogynist views such as Walsh’s have been endorsed by several influential voices on the right.

X owner Elon Musk indicated in his own posts that he believed the women in the detail were too “small” to cover Trump and had not been selected on merit, while hedge fund billionaire Bill Ackman suggested diversity, equity and inclusion (DEI) policies were at play.

The backlash was not confined to the

loudest voices on social media. Republican congressman Tim Burchett of Tennessee, who achieved a level of notoriety for saying “we are not going to fix it” following a school shooting in his state, told Fox News that Secret Service director Kimberly Cheatle was a “DEI initiative person” and suggested that “this is what happens when you don’t put the best players in”.

He and several commentators referred to Cheatle’s pledge to ensure that 30 per cent of the agency’s staff was female by the end of the decade.

Burchett sits on the Republican-led House Oversight Committee, which is due to grill Cheatle, the second woman to preside over the protective agency, over the Trump assassination attempt at a hearing on Monday.

Advocates for more diversity in national security personnel are concerned about the impact of the anti-diversity rhetoric. “People feel safer in numbers, and so the more people like Tim Burchett say stuff [that is] so obviously misogynist and sexist, the more others who already feel it feel like they’re going to be able to get away with saying it,” said Gina Bennett, who spent

34 years in the CIA and champions the inclusion of women in defence ranks.

The Secret Service did not respond to a request for comment, but the agency has previously said that all agents are held to the same standards. A spokeswoman for Burchett said “the Congressman has said many times, “put the best player in, coach.”

The attacks on the Secret Service’s “DEI agenda”, which were also endorsed by former attorney-general Bill Barr and Republican congressman Cory Mills, a former army sniper, are the latest front in a war against diversity and



Some of Donald Trump’s security detail at Saturday’s campaign rally

inclusion policies being waged by allies of Donald Trump in Congress, the courts and on college campuses.

While the Secret Service has employed female special agents for more than half a century, its recruitment policies have only recently drawn the ire of Republican politicians.

While the Secret Service has been plagued by past scandals involving male colleagues, such as the alleged procurement of prostitutes in Columbia and drunk driving near the White House, the response to the Trump attack has seen some “seizing [on] specific physical features to indict an entire population,” said Lauren Bean Buitta, founder of Girl Security, which campaigns for diversity in the security establishment.

There has been a “huge rise” in the number of young women interested in national security careers, according to Girl Security. But the vitriol poured over the women in Trump’s detail may already be taking effect.

As he walked on to the floor of the Republican convention in Milwaukee on Monday evening, the former president was flanked by a dozen Secret Service agents — all male.

Trump foreign policy

Hungary premier Orbán hails ‘well-founded’ Kyiv peace plan

HENRY FOY — BRUSSELS

Donald Trump will quickly demand peace talks between Russia and Ukraine if he wins November’s US presidential election and has developed “well-founded plans” for doing so, Hungary’s Viktor Orbán has claimed after private discussions with the Republican candidate.

That prospect means the EU should reopen direct diplomatic communication with Russia and start “high-level” negotiations with China to find a peaceful solution to the war in Ukraine, the Hungarian prime minister said in a private letter to EU leaders following consultations in Moscow and Beijing.

Orbán also said in the letter that on the basis of his recent discussions with Russian President Vladimir Putin, Chinese President Xi Jinping and Ukrainian President Volodymyr Zelenskyy, the “general observation” was “that the intensity of the military conflict will radically escalate in the near future”.

Orbán’s office declined to comment

when contacted by the Financial Times, which has seen his letter. Trump’s campaign team did not immediately respond to a request for comment.

Orbán’s trips to see Putin, Xi and Trump over the past two weeks while holding the EU’s rotating presidency have shocked his allies in the bloc and Nato. Many fear his support for a peace settlement while Russia still controls vast amounts of eastern Ukraine plays into the Kremlin’s hands and undermines western resolve in support of Kyiv’s territorial integrity.

“We can expect no peace initiative coming from [Trump] until the elections. I can, however, surely state that shortly after his election victory he will not wait until his inauguration but will be ready to act as a peace broker immediately,” Orbán wrote in his letter sent to European Council president Charles Michel and other EU leaders. “He has detailed and well-founded plans for this.”

Additional reporting by Felicia Schwartz in Denver

INTERNATIONAL

World Economic Outlook

IMF warns of 'bumps' in inflation battle

Stubborn services prices risk delaying interest rate cuts, says chief economist

COLBY SMITH — WASHINGTON
SAM FLEMING — LONDON

The IMF's chief economist has warned that progress on bringing inflation under control could still stall on the back of stubbornly high services prices, scuppering hopes of early rate cuts.

Pierre-Olivier Gourinchas told the Financial Times ahead of the publication of the fund's updated World Economic Outlook that officials "should be ready for more bumps in the road" as they wrestle to get inflation back to their

2 per cent goals. He added that services price pressures were proving "persistent" on both sides of the Atlantic, despite the recent progress in lowering inflation overall.

Separately, the IMF warned in the outlook that "the escalation of trade tensions could further raise near-term risks to inflation by increasing the cost of imported goods along the supply chain".

Gourinchas's comments on Monday came as central banks prepared to ease their monetary policies, with the European Central Bank already pushing through one reduction and the US Federal Reserve and Bank of England looking for an opportunity to cut in the coming months.

The fund warned that lingering price pressures could yet delay the return of lower borrowing costs. "The risk of elevated inflation has raised the prospects of higher-for-even-longer interest rates, which in turn increases external, fiscal and financial risks," it said.

The IMF's forecasts show inflation globally is unlikely to hit 2 per cent until the end of 2025.

Despite the IMF's reservations, investors anticipate the Fed will deliver its first cut in September, after chair Jay Powell and other US rate-setters said recent inflation data showed "progress".

While the recent decline in US price pressures was a "step in the right direction", the world's largest economy was strong enough to mean policymakers

could "afford to wait a little bit longer, if needed, in terms of the pivot towards easing interest rates", Gourinchas said.

Central banks globally are facing a trade-off, balancing keeping a firm enough grip on inflation to ensure it trends back to the 2 per cent target while also safeguarding against a sharp rise in lay-offs.

The BoE's monetary policy committee next sets rates on August 1, in what promises to be a divided vote.

The IMF warned of the potential for "significant swings" in economic policy this year as a result of elections around the world, with rising protectionism one of the possible consequences.

The fund left its forecast for global growth unchanged at 3.2 per cent this

year. It estimates growth will pick up slightly to 3.3 per cent in 2025.

The US economy would grow at a slightly slower pace than anticipated, expanding 2.6 per cent in 2024 and 1.9 per cent next year, it said.

Euro area growth is set to rebound to 1.5 per cent in 2025 after registering a 0.9 per cent dip this year, while the UK economy will expand 0.7 per cent this year, slightly higher than forecast in April, and by 1.5 per cent in 2025, the IMF said.

The fund sharply increased its growth forecasts for China by 0.4 percentage points to 5 per cent and 4.5 per cent in 2024 and 2025 respectively.

See Markets Insight
Martin Wolf see Opinion

Air attack

Syrian businessman with ties to Assad killed in Israeli strike

RAYA JALABI — BEIRUT
JAMES SHOTTER — JERUSALEM

A prominent Syrian businessman with close links to President Bashar al-Assad's government and Iran-backed militant groups in the region has been killed in an Israeli air strike in Syria, according to people familiar with the situation.

Mohammad Baraa Katerji, 48, was killed when a drone hit his car in Saboura, an area a few kilometres inside Syria near the Lebanese border, on Monday said an official with an Iran-backed group, speaking on condition of anonymity as they were not authorised to discuss the matter.

The official gave no further details of the killing, and neither did pro-Damascus news outlets that reported on Katerji's assassination.

For years, Katerji and his brother Hussam have been prominent members of Assad's inner circle and served as front men for illicit business and economic interests that the president's family controls and has profited from.

Iran is one of Assad's main backers, and many Tehran-backed militias operate in Syria.

The Katerji brothers — originally from Raqqa, the Syrian city that jihadist group Isis once claimed as its capital — rose to prominence after Syria descended into civil war in 2011, following the Assad regime's violent crackdown on a popular uprising.

The brothers' ascendancy was partly due to their acting as middle men in the illicit trading of oil between Damascus and Isis in its heyday, and more recently with Syrian Kurdish forces that control north-east Syria.

They also facilitated weapons shipments from Iraq to Syria, deepening their relationship with Iran's Revolutionary Guards. The Katerji brothers built a sprawling business empire over the past decade, encompassing banking, construction, logistics, transport and the illicit oil trade.

Along the way, they curried favour with Assad and his powerful wife Asma, partly by funding pro-regime militias and other Iran-backed militant groups.

An Israeli official said in recent years Mohammad Katerji had links to senior officials in Lebanese militant group Hizbollah and Iran's Quds force, part of the Revolutionary Guard and responsible for the country's foreign operations. The official added Katerji had transferred hundreds of millions of dollars to Hizbollah, the Quds force and other groups.

This included funneling millions of dollars to Hizbollah since the war between Israel and Palestinian militant group Hamas erupted in October, the official said, adding that Katerji's assassination was meant to prevent others from carrying out similar activities. The official also spoke on condition of anonymity.

Israel has repeatedly struck targets in Syria, including Aleppo and Damascus airports, as well as weapons depots and facilities tied to Tehran and its proxies in Syria. Hizbollah and Israeli forces have been trading near-daily fire since the eruption of the war between Israel and Hamas in Gaza on October 7.

While Israel has killed senior members of Hizbollah and other Iran-backed militants since October, Assad's inner circle and members of his government have so far been off limits.

East Asia. Defence

South Koreans back independent nuclear arsenal

Putin-Kim pact and fear of a second Trump presidency feed doubts over relying on US

CHRISTIAN DAVIES — SEOUL

Public support is growing in South Korea for the country to develop its own nuclear arsenal, amid rising concerns about deepening defence co-operation between North Korea and Russia and the possibility of a second Donald Trump presidency.

A survey by the state-affiliated Korea Institute for National Unification think-tank found 66 per cent of respondents expressed "support" or "strong support" for an independent nuclear deterrent, an increase of 6 percentage points from last year.

When asked to choose, the number of respondents who expressed a preference for Seoul having its own nuclear weapons over relying on US troops on the Korean peninsula increased by almost 11 percentage points from the year before, overtaking backing for Washington's military presence for the first time.

"Support for South Korea acquiring its own nuclear weapons is broadening, and it is hardening," said Sangsin Lee, a research fellow at KINU. "Neither the government nor either of the two main parties have adopted it as a matter of policy, but calls to discuss the option are definitely growing louder."

The growing sophistication of North Korea's nuclear and ballistic missile programmes, Pyongyang's burgeoning relationship with Moscow and Trump's open hostility to the US-South Korea alliance, have shaken confidence in Washington's security guarantees.

The Institute for National Security Strategy, another South Korean state-backed think-tank, cited a new defence treaty between North Korea and Russia last month as it called for a "government-level review" and "public debate" on nuclear armament, among other possible responses.

Han Duck-soo, South Korea's prime minister, told reporters last month that the country was not in a position to consider adopting nuclear weapons "for now". But Seoul's conservative mayor, Oh Se-hoon, a possible presidential contender in 2027, has called for South Korea to acquire them immediately.

"Nuclear weapons can only be countered with nuclear weapons," Oh told a forum on North Korean human rights.



Threat: South Koreans watch the test launch by the North of an intermediate-range ballistic missile in April
Kim Jae-Hwan/SOPA Images

"Relying solely on South Korea-US co-operation under the US nuclear umbrella... poses significant limitations for our security."

While North Korea has its own nuclear arsenal, Seoul relies on its US ally for "extended deterrence" — the understanding that Washington is willing to deploy its military assets, including if necessary its nuclear weapons, in South Korea's defence.

The US strongly opposes South Korea developing its own nuclear arsenal, which it fears could trigger a regional arms race and endanger global non-proliferation efforts.

But North Korea's increasingly advanced weapons capabilities — and its leader Kim Jong Un's decision to amend the regime's nuclear doctrine to permit pre-emptive strikes in a wide range of scenarios — pushed some South Korean lawmakers last year to call for a re-evaluation of their weapons policy.

US President Joe Biden's administration has sought to offer Seoul greater security assurances, promising closer consultation on nuclear issues and regularly deploying nuclear-capable military assets to the Korean peninsula.

Biden reiterated the US commitment to defend South Korea on the sidelines of the Nato summit in Washington last week.

But the debate was rekindled last month when Kim and Russian President Vladimir Putin signed a new "strategic partnership" that included a clause on mutual assistance, according to Rachel Minyoung Lee, a senior fellow at the Stimson Center think-tank in Washington. The pact "revived fears in South Korea about whether US extended deterrence will be enough", she said.

KINU's Lee said the survey also found a correlation between fears of a second Trump presidency after elections in the US in November and support for a South Korean nuclear arsenal. Trump repeatedly questioned the value to the US of a military presence on the Korean peninsula during his presidency. "It seems the more people fear Trump's return, the more likely they are to turn to nuclear weapons for reassurance," he said.

But he added that the longer-term trend in public opinion was probably "driven by a more general sense of growing global instability, given tensions

'Nuclear weapons can only be countered with nuclear weapons'

Oh Se-hoon, Seoul mayor

between the US and China and events in Ukraine and the Middle East."

Analysts said other options being debated in South Korea included the US redeploying smaller tactical nuclear weapons on the Korean peninsula, Nato-style "nuclear sharing" with the US or pursuing a nuclear "breakout" capability whereby South Korea would develop the capacity to produce nuclear weapons at short notice.

"The resurfacing of the pro-nuclear weapons discussion in South Korea is driven by justifiable concerns about the threat from North Korea and the potential for political change in the US," said Toby Dalton, co-director of the nuclear policy programme at the Carnegie Endowment for International Peace in Washington.

Lee at the Stimson Center noted that the number of South Korean politicians and policymakers calling for Seoul to adopt nuclear weapons was "still relatively small". She added that nuclear advocates' repeated questioning of Washington's commitment to South Korean defence risked undermining public confidence in the alliance as well as encouraging Pyongyang.

Medical research

Cell therapy offering 'a single shot' for autoimmune disease gives hope to sufferers

OLIVER BARNES — NEW YORK

A lupus diagnosis turned German teenager Janina Paech's life on its head. Once a keen horse rider and an aspiring doctor, Paech's heart, liver and kidneys were failing by the time she turned 21.

Running out of hope, her father Stefan reached out to Professor Georg Schett, a doctor on the other side of Germany, who was testing a cell-based gene therapy approved to treat blood cancer patients on lupus sufferers.

Paech became just the third patient to receive Car-T, or chimeric antigen receptor cell therapy, as a treatment for an autoimmune disease such as lupus, which is caused by the immune system attacking healthy cells. Within days of the infusion, the crippling fatigue and joint pain that had blighted her early adulthood had dissipated. Three years later, she is still in remission.

"Dr Schett saved my life," said Paech, who is about to qualify as a doctor herself. "Sometimes I forget I was even ill." The early findings offer hope to mil-

lions of autoimmune disease patients — four in every five of whom are women, probably due to genetic abnormalities associated with the X chromosome — who do not respond to conventional steroid treatment and face the threat of multiple organ failure.

They have also renewed excitement about Car-T's potential — and reignited debates about safety, manufacturing constraints and cost surrounding the treatment. "It's really changing the landscape," said Schett, a rheumatologist at University Hospital Erlangen in eastern Germany. "Most people thought that when you have an autoimmune disease, you have to suppress the immune system forever. Now, we have a single shot that looks a lot like a cure."

With only one of the 15 patients treated so far having experienced a mild recurrence of the disease, Schett has boosted the prospects for a treatment that was first approved for some blood cancers in 2017 but had fallen out of favour due to manufacturing hurdles and concern over side-effects.

Twenty-nine different Car-T treatments for autoimmune diseases ranging from the muscle inflammation condition myositis to multiple sclerosis are now being tested in clinical trials by drugmakers including Novartis and Bristol Myers Squibb, according to Beacon Intelligence.

But barriers to its wider rollout persist. Only 35,000 lymphoma and leukaemia patients have been treated with Car-T in the US since its approval seven years ago. An estimated 204,000 Americans have a severe form of lupus.

The treatment, which can cost as much as \$530,000 and must be produced and delivered in less than a fortnight, relies on a complex procedure whereby a patient's T-cells are extracted, chemically re-engineered then reintroduced to attack the cells causing disease.

Peter Maag, chief executive of Kyverna Therapeutics, which has treated 30 autoimmune patients with its Car-T, likened the treatment to heart transplants. "Your heart is giving in. What do you do?

You need another heart," said Maag.

Compared with Prof Schett's near-perfect trial results, Kyverna has experienced some hiccups. Around a third of the 30 trial participants still required steroid treatment after receiving the Car-T; almost all experienced some cytokine release syndrome, whereby the immune system overreacts to the

treatment; three patients were affected by more severe neurological side-effects; and one relapsed after six months.

Steven Nichtberger, chief executive of Cabaletta, another biotech testing Car-T for autoimmune disorders, said the field "will rise and fall on the ability of a medicine to replicate Schett's data".

Cabaletta, which is advised by Schett, has treated two autoimmune patients with Car-T, helping both to achieve drug-free remission for several months, with no side-effects.

Paech reports twice-monthly respiratory infections that sometimes require antibiotics, but largely her life is unencumbered, while Schett's first patient has now been in drug-free remission for more than five years. Evidence suggests that lupus patients treated with Car-T can still mount an immune response against many vaccines, unlike those regularly taking immunosuppressive steroids to control the disease.

But patients require three chemotherapy sessions to prime their bodies for Car-T, leaving them with fevers or

fatigue. Cabaletta is testing the treatment in patients not exposed to chemotherapy, which could open it up "to almost every autoimmune patient, not just the severely ill", said Nichtberger. He added: "If the worst case happens and this treatment is only approved for use in 10 per cent of patients with lupus, myositis and scleroderma, that's still several orders of magnitude bigger than the number of cancer patients currently eligible."

But expanding capacity to offer Car-T to millions more patients will not be easy. "It's tragic. There is a cell therapy on the market that would most likely cure [patients] and they still die because the pharma companies can't supply sufficient batches," said Fabian Gerlinghaus, CEO of Cellares, a start-up that has a \$380mn manufacturing supply deal with Bristol Myers Squibb.

Schett's patients hope the treatment can be made available for others. "I would love to see this therapy used not only to treat lupus but also other diseases," said Paech.



Janina Paech, a lupus sufferer, was the third patient to have Car-T

Exposure fears The rise of property-led Arkansas lender OZK, which has reshaped Miami's gleaming skyline, raises alarm **PAGE 6**

Companies & Markets

Ackman touts his X following in \$25bn listed vehicle push

- ◆ Premium placed on media attention
- ◆ Buffett-like annual meeting planned

ANTOINE GARA — NEW YORK
COSTAS MOURSELAS — LONDON
Bill Ackman has told potential investors in the US-based fund that he is working to take public that his social media presence will help the vehicle trade at a premium valuation.
The hedge fund manager is soliciting investments for a listed fund of up to \$25bn called Pershing Square USA which, if successful, would make it one of the largest IPOs, rivalling Saudi Aramco and Alibaba.
Ackman has gained hundreds of thousands of social media followers over the

tion appended to the IPO roadshow. "I will be completely unrestricted in terms of my ability to update our shareholders about developments in the portfolio."

Ackman said he expected to "talk about why we put in place a hedge on interest rates or commodity prices, or whatever the particularly Black Swan event we are concerned about". Pershing Square declined to comment.

The fund will be structured as a management company listed on the New York Stock Exchange. While the stock will be easily tradable, the fund will have a closed-end structure, allowing for a longer-term investing strategy.

Ackman referred to his social media following and heavy media coverage as "notoriety" in the presentation. "I have built up a large base of institutional and retail followers that follow our every move. Media interest is valuable in attracting investor interest and also in creating liquidity for our shareholders."

Pershing Square USA is registered as a 40 Act fund, which carries fewer regulatory restrictions on communications than Pershing Square Holdings.

One investment manager who has spoken to Ackman said the fund was "just geared to retail. He can have direct engagement in the US — that's why he thinks it will trade up. He wasn't allowed to tweet about his London-listed fund."

Ackman cited Stripe, Starlink, X and SpaceX as groups that the Pershing Square-backed vehicle could eventually take public with an anchor order from his US fund, according to a person who has heard Ackman's pitch.

Ackman plans to price the IPO at \$50 a share, with a premium 2 per cent management fee, without an accompanying performance fee. Pershing Square Holdings, its European counterpart, charges a 16 per cent fee on investment gains.

"You're getting Bill Ackman for free," said one investor of Ackman's pitch. "You are getting me in my prime."

'I will be completely unrestricted in terms of my ability to update our shareholders'

past year amid a flurry of criticism of Joe Biden and his support of Donald Trump, whom he endorsed at the weekend.

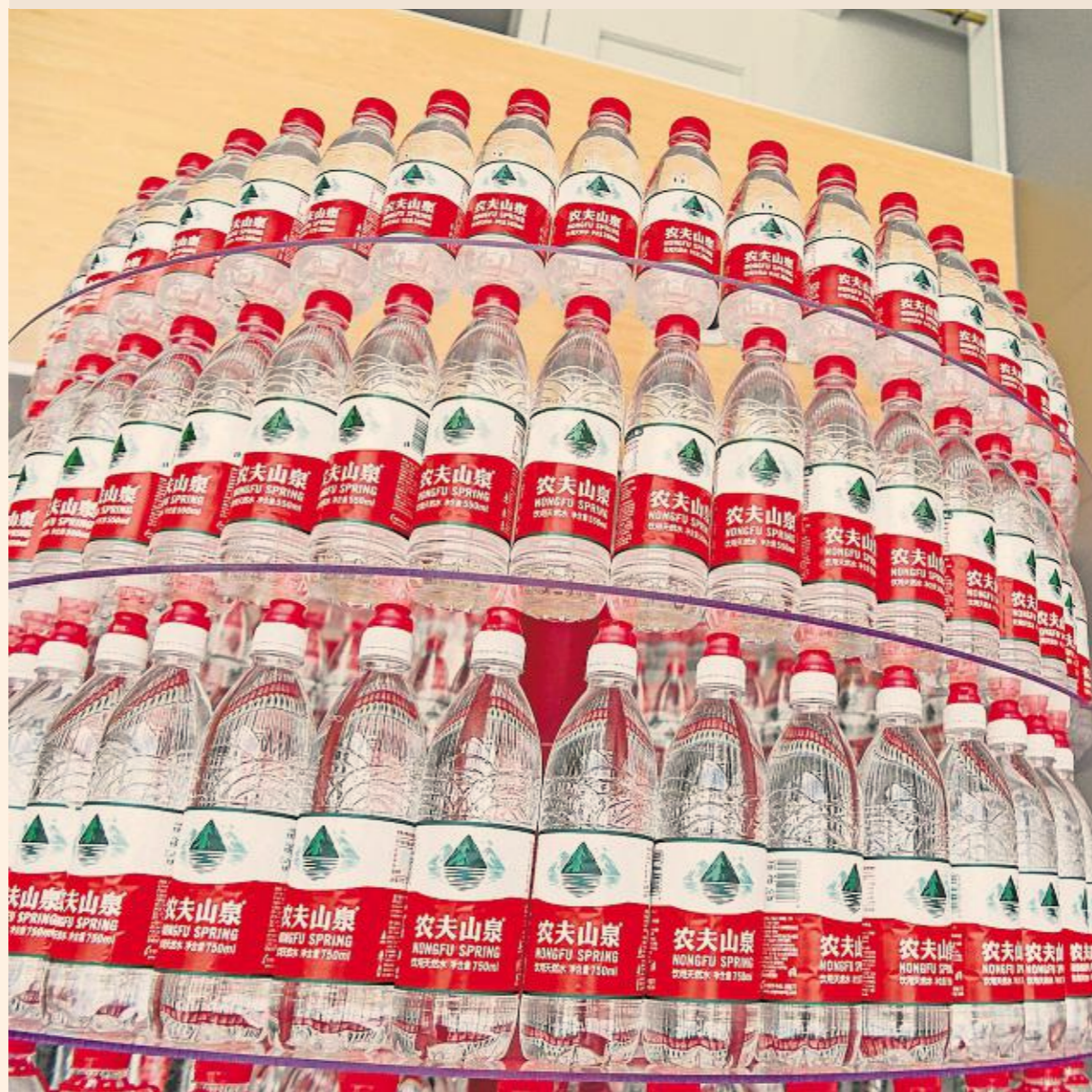
Ackman has led a campaign against US university bosses that he claims have tolerated antisemitism on campus, often through social media posts.

The investor had touted his more than 1mn followers on X in investor pitches, according to people who have attended them. He had likened the fund to companies that would trade at a valuation of at least two times the book value of assets.

The fund plans an annual meeting for investors, modelled on Berkshire Hathaway's hosted by Warren Buffett.

Ackman has told investors he plans to use platforms to talk up his strategies, including assets he selects. "I have built a relatively large following on Twitter, or X, over time and used it to discuss a number of topics but, historically, for regulatory reasons, have not been able to discuss investment activity," Ackman told shareholders in a public presenta-

Unpalatable Chinese drinks group Nongfu demands apology from Hong Kong watchdog



Nongfu Spring claims the Consumer Council made an 'erroneous' assessment of its bottled water — Alamy Stock Photo

CHAN HO-HIM — HONG KONG

Chinese beverage group Nongfu Spring has demanded that a Hong Kong watchdog apologise after it said the company's bottled water hit the EU's limit for bromate content.

Shares in the company, founded by Zhong Shanshan, the country's wealthiest person, closed almost 3 per cent lower in Hong Kong yesterday after the territory's Consumer Council released a report on the quality of 30 bottled water samples.

The report said the water contained three micrograms per litre of bromate, the maximum limit set by the EU for natural mineral waters. It added that this "disinfection byproduct" can cause symptoms including nausea and abdominal pain if ingested in large amounts.

The dispute comes amid a price war in Nongfu's home country, where it is undercutting rivals to gain market

share. Its share price has dipped 18 per cent over the past month.

The company was founded in the mid-1990s by entrepreneur Shanshan. According to the Bloomberg Billionaires index, his wealth has shrunk by almost \$20bn since early May, giving him a net worth of \$53bn.

In response to the watchdog's report, the beverage group argued that the water sample should have instead been classified as drinking water, for which Europe sets a less stringent limit of 10 micrograms per litre.

A letter from Nongfu's lawyers yesterday accused the organisation of making an "erroneous" assessment and demanded an apology.

"Your organisation... has caused fear among Hong Kong and mainland Chinese consumer groups, causing significant losses for Nongfu Spring," the lawyers wrote. They added in the letter, which the company posted on

Chinese social media yesterday, that Nongfu's products were "fully compliant with [relevant regulations]".

The consumer body said in response it did not find safety issues with any water samples and was only comparing brands on a "value for money" basis.

Nongfu's struggle with rival brands such as Wahaha — whose founder Zong Qinghou was previously China's richest person — escalated after the company was targeted by online Chinese nationalists who accused it of being "pro-Japan", in part over its product packaging. Nongfu has rejected the claims.

Jacky Tsang, a Hong Kong-based equity analyst for Morningstar, said "unfavourable consumer sentiment" was damping demand for the brand.

Last month, he lowered his forecast for Nongfu's annual revenue growth for 2024 from 18 per cent to 16 per cent.

Morgan Stanley posts 40% quarterly profits jump

JOSHUA FRANKLIN — NEW YORK

Morgan Stanley's profits increased more than 40 per cent in the second quarter, but the bank reported a slowdown in growth in its cornerstone wealth management business.

Morgan Stanley reported quarterly net income of \$3.1bn, up from \$2.2bn a year earlier and ahead of analysts' estimates.

That jump was aided by a rise of just over 50 per cent in investment banking fees from a year ago, to \$1.6bn.

The return of investment banking business has been a theme of big bank results in the past two quarters. After two years in which investors held off dealmaking and initial public offerings because of rising interest rates, investment banking revenues jumped in the quarter by 50 per cent at JPMorgan and 21 per cent at rival Goldman Sachs.

Morgan Stanley's chief executive, Ted Pick, told analysts that, barring a recession, "I think you will see over the next number of quarters, and really over the next number of years, a resumption of more normalised M&A activity".

Morgan Stanley's stock was up 2 per cent in early afternoon trading yesterday in New York.

Its \$5.7tn wealth management division fell short of growth estimates from analysts.

The bank attracted net new assets of only \$36.4bn, well below expectations for about \$57.5bn and down from almost \$90bn a year ago.

Net new assets in wealth management were the lowest since 2020 across the first six months of the year.

Morgan Stanley chief financial officer Sharon Yeshaya blamed the slowdown in part on higher tax payments, with the US deadline to file in April.

"We believe both tax-related outflows and increased spending, particularly among high net worth clients, impacted flows this quarter," she told analysts.

Yeshaya said wealthy clients had been spending lavishly in the quarter, even as JPMorgan, Citigroup and Wells Fargo last week pointed to signs of financial stress among lower-income clients.

Wealth management has been a big driver of Morgan Stanley's growth in recent years, boosted by its 2020 purchase of online trading platform ETrade.

But its expansion has slowed more recently as client assets have become tougher to attract when interest rates are higher.

India moves to rein in foreign tech groups — but with a light touch

INSIDE BUSINESS

ASIA

Benjamin Parkin



Twitter over the farmers' protests, India toughened its rules to include criminal liability for social media executives.

This worked. Even self-styled free-speech champion Elon Musk, who bought Twitter in 2022 and renamed it X, has publicly acknowledged that he has little choice but to comply with Indian takedown requests.

Modi has made stopping tech monopolies a policy platform, telling the G7 summit of global leaders last month that they must "make technology creative, not destructive".

His government is preparing a handful of new laws, including the Digital India Act, designed to overhaul the country's existing information technology laws, and a digital antitrust bill.

India's move to rein in foreign tech mirrors global trends in many ways. Like Europe's Digital Markets Act, India's digital competition bill would allow authorities to pre-emptively crack down on companies before they form monopolies — rather than punishing or breaking them up after the fact.

But at its heart, India's approach stands out for what Udbhav Tiwari, director of global product policy at Mozilla, calls an attempt to create a "fourth path" for regulating the internet.

It seeks to be lighter touch than Europe and take consumer protection more seriously than the US. But it also creates broad powers for the state to police online speech in ways that critics say resembles neighbouring China more than fellow democracies.

A data privacy act passed last year, for example, introduced some strong con-

sumer-protection norms for companies even as it enshrined exemptions for authorities on broad grounds including "maintenance of public order" and "friendly relations with foreign states".

The ambiguity in these sorts of provisions means "executive discretion takes over", says Prateek Waghre of the Internet Freedom Foundation, which sees an erosion of checks and balances that creates ample scope for abuse.

About a third Modi term, Waghre says "the signals that have been going out have been more aggressive".

Foreign tech companies have made limited attempts to push back, with a US lobby group in May reportedly asking authorities to reconsider the competition law. But they have reasoned that missing out on India's fast-growing market is not an option, particularly after being shut out of China.

Facebook and YouTube have more users in India than anywhere else — more than 375mn and 475mn, respectively. An entrepreneur such as Musk, who wants to set up a Tesla plant in India, may decide it's not worth annoying the Modi government over how he handles posts on X.

AI will be the next big test for Indian tech policy. Though it is mostly US companies such as Meta and OpenAI that currently lead cutting-edge research and large-language model development, a vast amount of additional work is needed to train AI for Indian languages and package it into products for Indian consumers and companies.

This is an opportunity for India to create its own AI tools, Tiwari argues, rather than simply import US tech.

Given India's high ambitions, can it now innovate rather than seeking to copy or control?

benjamin.parkin@ft.com

With a yellow-bird logo and 400-character limit, Indian start-up Koo was never subtle about which US social media company it wanted to emulate.

Launched in 2020, Koo got its break at a time of open tension between Narendra Modi's ruling Bharatiya Janata party and Twitter, which defied government takedown requests during large farmer protests in 2021, prompting ministers and supporters to switch to the upstart.

But Koo, which raised money from Tiger Global and became known as India's "nationalist Twitter" thanks to its BJP-friendly user base, never recreated the network effects of its Big Tech rival and soon lost momentum.

A brief surge in popularity in Brazil had less to do with anti-monopolistic sentiment than viral jokes riffing off the name's similarity to a rude Portuguese word for backside. Koo finally folded this month after a bailout fell apart.

Koo's demise underscores the failure of efforts to replace US social media companies in India. But Modi's government now has a far more effective strategy: control. Rule changes since 2021 are forcing foreign tech groups to fall in line. And following his re-election to a third term last month, Modi is planning much more.

Around the time of the conflict with

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Contracts & Tenders

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In accordance with the extraordinary administration procedure of Alitalia - Società Aerea Italiana S.p.A. (hereafter the "Company under EA"), the Extraordinary Commissioners intend to transfer one (1) used Boeing B777-200ER aircraft, bearing manufacturer's serial number 32858, registration marks I-DISU, equipped with two GE90-94B engines bearing manufacturer's serial numbers 900395 and 900396 ("Aircraft"), as better described in the full version of the invitation to submit purchase offers published on the website <https://www.amministrazionestraordinariaalitaliasai.com> (hereafter the "Invitation").

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the interested parties to submit their offer for the acquisition of the Aircraft according to the terms, conditions and procedures set out in the full version of the Invitation.

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The Extraordinary Commissioners

COMPANIES & MARKETS

Banks

Deutsche flouted accounting rules, says BaFin

Watchdog accuses lender of 2019 failure to disclose details about losses in US

OLAF STORBECK — FRANKFURT

Deutsche Bank's 2019 financial report did not meet international accounting standards because it lacked key details about the lender's historic US losses, Germany's financial watchdog BaFin said yesterday.

BaFin said the bank failed to disclose in 2019 that €2.1bn of deferred tax

assets were linked to multiyear losses at the US operations, which were unprofitable at the time. Deutsche also failed to explain in its annual report how it expected to generate future profits in the region — a legally required disclosure under IFRS rules as the bank was hoping to offset the historic losses against future profits in the region, the watchdog said.

The ruling reflects a much tougher stance by German regulators on enforcing accounting standards in the wake of the Wirecard fraud, one of Europe's biggest postwar accounting scandals. How-

ever, Deutsche is not required to restate its 2019 results and does not face any fine or other sanction over the accounting failings.

BaFin has been Germany's accounting regulator since 2022 when it replaced the Financial Reporting Enforcement Panel, a private sector body with semi-official powers and limited resources. Its ruling on Deutsche is one of its most prominent actions so far. BaFin's head of accounting regulation, Thorsten Pötzsch, told the Financial Times in 2022 that "our message to companies is that firms who are using illegal account-

ing shenanigans have no place in the German capital market", adding that "the risk of getting caught has never been as high as it is today".

Deutsche took issue with BaFin's finding, saying it was convinced the 2019 financial statements and other disclosures "comply fully with IFRS requirements".

The lender did not immediately respond to a query on whether it will take legal steps against the BaFin ruling. German property company Adler, which has been accused of a series of more significant flaws in several annual

reports, is challenging the regulator's findings.

The Deutsche finding refers to a two-page note on income tax in the bank's 2019 financial report. In the note, Deutsche discloses €5.4bn in deferred tax assets for the year that could be offset against future profits, down from €6.7bn in 2018. In mid-2019, chief executive Christian Sewing embarked on a radical restructuring that included shrinking the bank's investment banking activities as Deutsche hived off its equities trading arm and wrote off deferred tax assets linked to that unit.

However, as it kept €2.1bn of deferred tax assets linked to previous losses in the US on its balance sheet, BaFin argued that the bank had been legally obliged to disclose this detail as well as an explanation of why it was convinced that the loss-making operations would return to a profit in future.

Deutsche Bank told the FT that BaFin's finding "relates to a footnote in our 2019 financial statements", adding that there was "no suggestion on BaFin's part that there is any inaccuracy in Deutsche Bank's 2019 accounts, and no restatement or other action is required".

Financials. Commercial real estate

Bank OZK funds risky gamble on Miami glamour

Rural US lender outgrows roots with outsized loans in boom-and-bust market

MADISON DARBYSHIRE AND STEPHEN GANDEL

Shares in Bank OZK, a mid-sized US lender with century-old roots in rural Arkansas, plummeted 20 per cent in May after a Citigroup analyst questioned its increasing exposure to the troubled commercial real estate sector.

Two weeks later, OZK inked a deal to finance the largest property loan in Florida history — \$668mn to finish Miami's Waldorf Astoria, a 100-storey condominium planned as the tallest skyscraper south of Manhattan.

It came as the inventory of high-end Miami condos has risen 40 per cent in the past year amid slowing sales and a glut of new construction.

How a community bank that began in the Ozark Mountains with a business in boat and motorhome-lending became one of the nation's most willing sources of high-end construction finance is a story of risk-taking in markets where others were reluctant to lend.

No lender has had a greater impact on reshaping Miami's gleaming skyline in the last decade than OZK.

But the story is also one that is now raising alarms: OZK is the most exposed of the top lenders to the boom-and-bust Florida housing market with concerns mounting about signature large loans and concentration risk in its portfolio. The bank is scheduled to report second-quarter results today.

"About 200 loans comprise more than 50 per cent of their total loan book," said Benjamin Gerlinger, the Citigroup analyst who wrote the May report, noting its peers tended to issue many more loans in much smaller amounts. "That's a level of concentration that some regulators would be sceptical of."

OZK has long attracted sceptics — most notably short seller Carson Block, who in 2016 called its business model "ass backwards" at a conference. Block's Muddy Waters Research announced that it was shorting OZK stock, citing its rapid push into commercial real estate.

OZK shares fell 15 per cent on the announcement but rebounded and finished that year up over 40 per cent.

Bank executives remain unfazed. "Real estate concentration is old news for the bank," said Brannon Hamblen, OZK president. "Ours has always been larger than the norm, it's a bank built predominantly on real estate lending. We are here today doing our business the way we've always done it."

Bank of Ozark was founded in 1903 in



Miami Beach: the inventory of high-end condos in the city has risen 40% in the past year. Below, the design for the Waldorf Astoria, a 100-storey condominium financed by OZK

Pedro Portal/Miami Herald/Tribune News Service via Getty Images; ArX Solutions



Jasper, Arkansas, population 547. Its modern iteration began to take shape in 1979 when it was purchased by George Gleason, then a young lawyer at Little Rock's Rose Law Firm where Hillary Clinton was a partner.

It began expanding in the 1990s and moved its headquarters to Little Rock, Arkansas' state capital and largest city.

Over the years, it rolled up failed regional banks, accelerating its move into real estate lending in the process. Its assets have grown from \$7bn to \$36bn in the past 10 years; in 2018, it rebadged itself as Bank OZK, a change that "frees us from the limitations of a name tied to a specific geographic region", Gleason, now 71, said at the time.

The Bank OZK name appears on more

large deals than any other real estate lender in Miami, the biggest region in its portfolio by dollar value, with more than \$4.7bn in 38 loan commitments — more than 10 per cent of its loan book.

Some property lawyers estimate that OZK has been involved in at least half of the major deals they have put together in the past decade, far more than any other lender, and the bank is respected by developers for its ability to navigate complex real estate projects.

Though the bank competes with sophisticated property funds in a leveraged and risky sector, OZK continues to operate like a traditional regional bank, investing with customer deposits rather than raising debt or syndicating its loans.

"Gleason would say, 'If I believe it's a loan worth doing then I want all of it,'" said Stephen Scouten, an analyst at Piper Sandler.

The lender has stayed aggressive as other banks have grown more cautious about real estate.

Last year, OZK increased its construction lending by \$3bn, \$1bn more than JPMorgan, the nation's largest bank, and the most of any bank in the country.

The origin of OZK's dominance in Miami lies in the ashes of the 2000s US financial crisis when Florida was the centre of the housing bubble.

Many banks, burnt on construction

lending, were not comfortable lending at the scale Miami needed to build.

"There was a lot of hesitation," said Greg Newman, OZK's senior managing director for lending in Miami.

Because property values in Arkansas never ballooned in the run-up to the financial crisis, they also never collapsed and OZK remained well capitalised. It stepped in to fill the gap.

"Overnight, it became 'hey, what do you know about this bank because everyone is asking?'" said Andrew Sharpe, a real estate lawyer at Greenberg Traurig in Miami. "People had no idea where the Ozarks were."

The timing was fortuitous, putting the bank in place for Miami's next big boom. Fuelled by stimulus and a New York exodus during the coronavirus pandemic, Miami became one of the hottest housing markets in the US.

OZK made its first loan in Miami in 2012. By March 2024, it had originated 110 commercial loans in the city, worth more than \$9bn. So far, OZK's underwriting practices have helped it avoid long-predicted doom.

It has been profitable every year for 45 years and has a rate of loss on its loans of less than 1 per cent, below the industry average. It has sought to diversify by expanding its lending for pleasure crafts and recreational vehicles.

In Miami, its loan to value — a meas-

ure of risk, in which a lower number indicates greater protection — is 43 per cent compared with an industry-wide average of about 57 per cent.

It is predominantly the last lender on any project, which makes it the first to be repaid in a crisis. And developers have adopted the so-called South American model of financing, requiring buyers to deposit up to 50 per cent of the purchase price, providing equity for construction and making it harder for buyers to walk away.

"Lending is a risk business and the risk is the concentration," Piper Sandler's Scouten said. "That's their not-so-secret sauce. That's how they drive profitability. They do it in a way that other banks are not comfortable with."

New luxury towers continue to spring up. Luxury condo prices recently reached a new high of \$1.7mn, up 5 per cent from a year ago. But limits to the region's growth are beginning to show. Higher interest rates have slowed sales. At the same time, inventory has soared.

At this year's slower sales pace, appraisal firm Miller Samuel estimates there are enough available high-end units to satisfy demand for 18 months.

Brokerage firm Redfin recently said Florida had more rapidly cooling housing markets than any other US state.

The 2023 bank crisis put regional banks on the radar of investors and regulators. Initially, the focus was on lenders such as Silicon Valley Bank that had large losses in securities portfolios. But questions soon arose about what other potential losses could be lurking in the books of mid-sized banks.

It was not long before investors and regulators landed on commercial real estate as the thing to watch. Commercial real estate exposure was a vital factor in the demise of New York Community Bank this spring.

Analysts have noted one of the concerns about OZK's real estate concentration is that much of its growth happened when the market was flourishing.

The Citigroup report on OZK questioned the health of two loans on San Diego and Atlanta office buildings, worth more than \$1bn, and cited "compounding credit concerns". Investors shaved more than \$800mn off the company's market value.

"OZK did a fantastic job of growing in a zero interest rate environment but the new paradigm post-Covid is different," said Gerlinger. "When you are in the business of [funding] Miami condo construction and you are lending \$400mn at a time, that's thousands of RV loans," he said, referring to recreational vehicles or motorhomes.

"You need to do 4,000 RV loans to stay in balance for every Miami condo construction loan. That's difficult."

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COMPANIES & MARKETS

Freshfields breaks into New York's legal elite

London law firm's hiring spree allows it to pull away from 'magic circle' competitors in the world's biggest legal market

JAMES FONTANELLA-KHAN AND SUJEET INDAP — NEW YORK
STEPHEN MORRIS — SAN FRANCISCO

The "magic circle" of City of London law firms have been trying to break into the US for decades, with scant success.

But Freshfields Bruckhaus Deringer is making inroads in the world's biggest legal market, breaking squarely into the top 10 of North American firms by value of merger and acquisition deals and challenging for a place among the Wall Street elite as a costly hiring spree shows signs of paying off.

Unlike UK rivals that hoped a single star appointment in New York could land Fortune 500 clients, Freshfields over the past five years has hired nearly 50 top partners, from the likes of Skadden, Davis Polk and Cravath, to build a wide range of practices it believed the biggest companies demanded.

"Other UK firms have tried to do what Freshfields is doing and they all failed," said a top rival dealmaker in New York. "What's unique about Freshfields is that they have hired top-notch talent."

Freshfields' latest push comes as American firms have upended the London legal market by using their US profits to poach magic circle lawyers and drive up the overall pay scale in the UK.

Revenues at Freshfields' US corporate practice have tripled since 2019 as it landed work on big deals, including Johnson & Johnson's \$13bn takeover in April of medical device maker Shockwave Medical.

That milestone, when the \$400bn healthcare group selected the English firm over its usual choice of Cravath, Swaine & Moore, won attention from even the most sceptical New York lawyers, some of whom had for a time confused Freshfields for a grocery chain.

Freshfields has known the disappointment of trying and failing in the US, where previous splashy hires failed to make the firm relevant in America.

But in 2019 it took another swing, hiring seven partners from revered local firm Cleary Gottlieb, including star lawyer Ethan Klingsberg, a coup Freshfields celebrated with a soiree at Manhattan's Whitby hotel.

Klingsberg's move to Freshfields to turbocharge its US M&A practice shook up the tight-knit deals world.

At the US firm, Klingsberg had become the go-to adviser to Google and other Fortune 500 companies. But his energy and ambition ran up against Cleary's pay system, which favoured tenure over productivity.

Some industry insiders speculated that Klingsberg had secured guaranteed pay of more than \$10mn a year — multiples of what Cleary's lockstep offered. But he sold Freshfields on a more specific vision: it needed not just a single heavyweight figure but a team of lawyers with complementary practices.

The expertise of the other six arrivals from Cleary spanned deal litigation, shareholder activism and capital markets. Freshfields has a highly regarded existing practice in global antitrust and regulatory matters that proved a good fit for Silicon Valley and pharmaceutical groups that operate globally.

"When I spoke to Freshfields I was



Made in Manhattan: the move to Freshfields by Ethan Klingsberg, below, to turbocharge its US M&A practice shook up the tight-knit deals world



Seickuk Acar/Anadolu/Getty

very clear that I didn't want to repeat what had happened in the past," Klingsberg told the Financial Times.

He said previous star hires "would tell me stories like 'I didn't get that assignment because I didn't have the shareholder litigation expert or that governance person'. And so I said, 'I'm not coming unless we fill each of these pieces, and it's not going to be cheap. And we're not going to cut corners'. And the firm committed to that."

Kirkland & Ellis and Paul Weiss are driving the pay race in New York and London, particularly in the area of private equity-related work where top partners are securing annual pay packages of more than \$20mn. But a range of firms are trying to land the small handful of rainmakers who prove to be difference makers.

"What makes Ethan stand out is that he's an extraordinary developer of talent," said Chris Hill, chief legal officer of Australia-based gaming group Aristocrat Leisure. Hill, who has worked with Klingsberg at both Cleary and Freshfields, added that the UK firm's global expertise was essential for multinational companies such as Aristocrat.

Damien Zoubek, another star M&A lawyer who joined Freshfields from Cravath, led the J&J deal and has represented Hollywood super agent Patrick Whitesell, chair of entertainment conglomerate Endeavor, which is being

'When I spoke to Freshfields I was very clear that I didn't want to repeat what had happened in the past'

'If you look at places that have failed in the past, the main lesson is that you can't just do the bare minimum'

bought by Silver Lake for \$13bn. Zoubek told the FT he had chosen to leave Cravath in 2021 after he was reassured that he could service clients in more ways than just deals.

"If you look at places that have failed in the past, the main lesson is that you can't just do the bare minimum," he

said. "You really do need to continue to invest in the team. Not only to create depth in your core execution areas of M&A, for example, but you also have to continue to invest to create depth in all other areas such as executive compensation and benefits, antitrust and so on." Venerable Wall Street incumbents

have since had to modernise, with the likes of Cravath and Cleary revising pay and incentive schemes to compete.

But sceptics wonder if hourly rates charged to clients can keep up with the pay packages, particularly amid an overall deal and initial public offering slump.

The remaining magic circle firms are still seeking their fortunes in America. Allen & Overy has recently merged with the New York firm Shearman & Sterling. But underscoring the volatility, Shearman's top M&A lawyers quickly defected to Linklaters.

Mergers and IPOs inevitably lead to lawsuits, which Freshfields is now able to appear in. Its newly formed shareholder litigation group has defended the likes of Tesla, BuzzFeed and AstraZeneca in federal and Delaware courts.

"Unlike some other firms, they have been pretty conservative and strategic in how they've scaled their headcount over time, which I think has helped them to maintain quality control in their practice," said Melissa Sawyer, global head of M&A at rival firm Sullivan & Cromwell, observing that the rapid expansion still appeared thoughtful and targeted. "My sense is that they've also been able to cross-sell their M&A credentials to US clients on the back of Freshfields' strong reputation for global competition law and foreign direct investment advice," she added.

One US newcomer said the firm wanted to find a way to stay European in its feel even as New York and Silicon Valley are driving its growth.

Zoubek said he believed the modern generation of corporate leaders were more willing to hear fresh counsel. But he acknowledged that the hiring spree has also posed challenges for the firm.

"When we all come from different places, how do we make sure this is a melting pot of good ideas not a melting pot of conflict? And we spent an incredible amount of time . . . making sure we have a cohesive and common culture given how quickly we've grown laterally," he said.

Technology

UK probes Microsoft's hiring of Inflection AI staff as scrutiny of Big Tech investment grows

MADHUMITA MURGIA AND CAMILLA HODGSON — LONDON

The UK antitrust watchdog has officially launched an inquiry into Microsoft's hiring of staff from start-up Inflection AI, as regulatory scrutiny of investments by technology groups deepens.

The Competition and Markets Authority said yesterday that it had "sufficient information" in relation to Microsoft's hiring of "certain former employees of Inflection AI and its entry into associated arrangements with Inflection, to enable it to begin an investigation".

The move to launch a merger inquiry comes after the regulator in April invited comments about the Microsoft-Inflection tie-up, as part of concerns about dealmaking in the AI industry.

The CMA said that the deadline for it to escalate its probe to the next level was September 11.

Microsoft said it was "confident that the hiring of talent promotes competition" and that the Inflection deal "should not be treated as a merger".

The business added that it would provide the CMA with "the information it needs to complete its inquiries expeditiously".

Microsoft, which participated in a \$1.3bn funding round for Inflection last year, paid \$650mn in March to

hire the start-up's chief executive Mustafa Suleyman, co-founder of Google's DeepMind, alongside several other team members, and to license its technology.

Inflection was founded as a consumer AI company in 2022, with a chatbot

The Competition and Markets Authority has 'sufficient information' to begin an investigation

product called Pi. Since March, it has pivoted to selling enterprise AI software to businesses after most of its staff left to join Microsoft.

The move drew scrutiny from regula-



Mustafa Suleyman, Inflection's chief, was hired by Microsoft in March

tors and legal experts on the grounds that it looked similar to an acquisition by Microsoft but was not subject to formal acquisition rules.

The CMA said in April that it was seeking views on whether the partnerships struck by Microsoft and Amazon with AI start-ups, including Microsoft's deal with Inflection, "fall within UK merger rules".



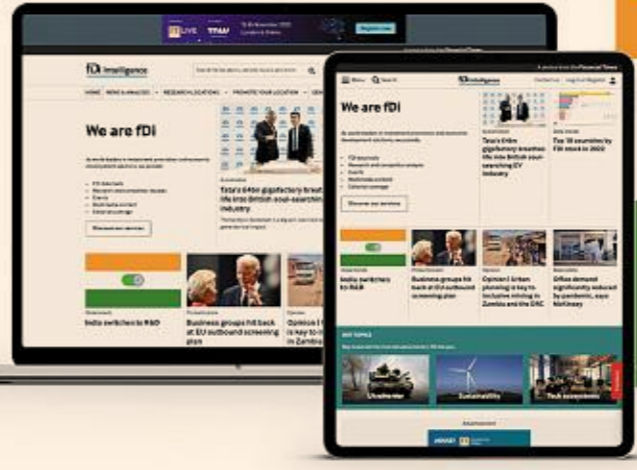
Microsoft and Inflection stressed at the time that the agreement was not an acquisition and that Inflection remained an independent company.

The tie-up is far from being the only Big Tech AI deal that has drawn the attention of regulators in the US, the EU and the UK.

Microsoft this month gave up its seat as an observer on the board of OpenAI, while Apple said that it would not take up a similar position, amid growing attention by regulators on investments in AI start-ups.

The European Commission said in June that it was exploring the possibility of an antitrust investigation into the Microsoft-OpenAI tie-up after it said that it would not proceed with a probe under merger control rules.

The Federal Trade Commission in the US has also begun scrutinising investments made by Big Tech companies including Microsoft, Amazon and Google into generative AI start-ups.

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A publication from the Financial Times

COMPANIES & MARKETS

Fixed income. Public finances

UK can adjust debt rule to ease impact of BoE losses, say traders



Prospect raised of boosting fiscal 'headroom' by excluding APF figures on Treasury target

SAM FLEMING AND MARY MCDUGAL
LONDON

The UK chancellor can ease some of the budgetary impact of bond losses suffered by the Bank of England without spooking financial markets, say investors, as the new Labour government prepares for a tough budget this autumn.

The Treasury could nearly triple its so-called fiscal "headroom" – the space for extra borrowing under its own key debt rule – by excluding the impact of losses being racked up on the BoE's asset purchase facility (APF) on its finances, according to analyst calculations.

While Chancellor Rachel Reeves has suggested that she does not want to change the definition of debt that is targeted by the government and monitored by its Office for Budget Responsibility, investors said such a move would be logical and would be swallowed by the markets – as long as any extra borrowing was used for investment, for instance, in infrastructure.

"Fiscal rules change all the time . . . changing the definition of debt would be my preferred option as it feels like part of a long-term plan," said Matthew Amis, a portfolio manager at Abrdn.

He added that the market seemed to trust the Labour government but that could be eroded quickly if changes were simply viewed as a way to avoid public sector cuts.

Quantitative easing by the BoE swelled government receipts as interest payments on its bond holdings flowed back to the Treasury.

But the operations have now become a burden on the public finances as the central bank sells bonds back to investors at a loss, which the government has to cover.

Analysts at JPMorgan calculate that, by excluding BoE losses from the Treasury's rule that debt must be falling as a proportion of GDP by the end of its five-year forecast period, the government would boost its budgetary wiggle-room to £25.8bn from just £8.9bn estimated in March.

"I don't think they would spring a change to the debt rule as a surprise but if they slowly build up a consensus – they could remove BoE losses on the APF from the current key metric," said Allan Monks at JPMorgan.

"This would create around £17bn of extra headroom, which the Treasury could use to increase borrowing for investment," he said, adding that a change was more likely next year than this autumn.

The Treasury this week will publish plans to strengthen the OBR's oversight of the public finances as part of the King's Speech today.

Labour has been keen to portray itself as fiscally conservative as it draws a dividing line with the policies of Liz Truss, who provoked turmoil in the gilt market during her brief stint as prime minister in 2022.

Widening the scope of the OBR could then pave the way for further changes to the UK's debt rules to help free up more spending.

"The bottom line is that Labour will need to be creative with the finances as there is no money left in the kitty and, if they want to get off to a strong start in power, then they will need to create some wiggle-room," said Craig Inches, head of rates and cash at Royal London Asset Management.

Reeves has so far said she would continue the previous government's key fiscal rule that debt to GDP must be forecast to fall in five years' time.

She has also warned against overhauling how the BoE pays interest to commercial lenders on their reserves – a move that could save billions of pounds per year.

A Treasury spokesperson said: "Economic stability can only be achieved if

Chancellor Rachel Reeves has suggested that she does not want to change the definition of debt that is targeted by the government

Dan Kitwood/Getty Images

we are responsible with public finances, which is why the Chancellor is committed to robust fiscal rules, as set out in the [Labour] manifesto."

Michael Saunders, an economist at Oxford Economics and a former MPC member, said Reeves's instincts are probably not to do anything that appears risky, so she would have to be very sure it is acceptable to investors to remove APF losses from its fiscal rules.

"But I think it probably would be [acceptable]," he said, adding that the BoE had probably not envisaged quantitative tightening – reducing holdings of bonds bought during QE – having such significant fiscal side-effects.

"It is sensible," he added. "You can only do it in the context of a broader fiscal tightening but it looks like Rachel Reeves is going to do that."

The idea of tweaking the net debt metric would be a less radical shift than some other ideas for handling the big BoE losses on its bond portfolio.

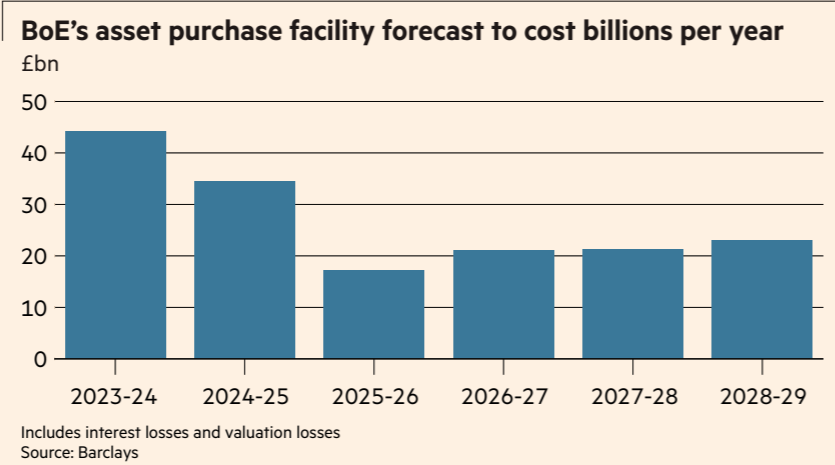
Earlier this month, analysts at Barclays suggested that the government could transfer the assets held in the APF to the BoE's own balance sheet.

That would in turn allow the central bank to treat losses from its gilt portfolio as a "deferred asset" – similar to the US Federal Reserve's practice – which would save the Treasury having to cover them.

But changing the accounting treatment of the APF could be seen as changing the rules half way through the game, potentially weakening the credibility of any future BoE market interventions.

"The important thing is to do any change within the guardrails of an operationally independent central bank with a clear mandate for inflation targeting," said Jack Meaning, an economist at Barclays.

"The bottom line is that Labour will need to be creative with the finances"



Technology

Yandex co-founder begins AI venture in Europe after finalising exit from Russia

MAX SEDDON — RIGA
MADHUMITA MURGIA — LONDON

The co-founder of Russian tech group Yandex is launching an artificial intelligence venture in Europe after its parent company this week concluded a deal to exit the country.

Arkady Volozh will head Nebius Group, the Netherlands-based, former owner of Nasdaq-listed Yandex.

The split marks Volozh's efforts to salvage some of Yandex's former international operations after Russia's war in Ukraine roiled the company and prompted thousands of its staff to flee the country.

"It was obvious that not only [can we not] build anything out of Russian technology but also the Russian technology business itself will continue by itself," Volozh told the Financial Times. "When it all happened, half of Yandex's top management and 10 per cent of the developers found themselves outside Russia."

He added: "We saw a new opportunity . . . Finally we are free to do something new."

Volozh is leading 1,300 employees, mostly former Yandex staff, to build Nebius, whose core business is develop-

ing a cloud computing platform to support the training and running of large-scale AI models by start-ups.

Nebius is already working with some of Europe's best-known AI start-ups in France and Germany, said Volozh, with 500 of its engineers focused on developing its specialised cloud infrastructure.

"We have engineers who have built big tech infrastructure [at Yandex] . . . we know how to do it very efficiently," he said. "We know how to interconnect into supercomputers . . . and we know how to build really big clusters."



Arkady Volozh will head Nebius Group, the former owner of Yandex

The \$5.4bn sale of Yandex's core Russian assets, the largest western corporate departure from the country during the conflict, came after a two-year negotiation that required President Vladimir Putin's approval over an asset the Kremlin considers to be strategically important.

The company hammered out the deal with the help of Alexei Kudrin, a former finance minister with long-standing ties to Putin, whom it enlisted to negotiate with Sergei Kirienko, the Kremlin's domestic policy chief.

The war in Ukraine dashed Volozh's ambitions to make Yandex – which had a market capitalisation of \$30bn at its peak – a global internet giant, prompted key technology partners to distance themselves from the company and led Nasdaq to suspend trading in its shares.

After last week's deal to split Yandex, its core Russian business – which accounted for 95 per cent of the group's revenue, assets and employees – is now owned by a consortium that includes some management executives and several Kremlin-approved investors.

The EU imposed sanctions on Volozh in 2022 over what it described as Yandex's complicity in the war.

Volozh resigned as chief executive, transferred the voting rights from his controlling stake to the board and released a statement last year condemning the invasion as "barbaric", adding that he was "categorically against it".

The EU agreed this year not to renew sanctions against Volozh. He has now reassumed control of voting rights in Nebius following the split with Yandex.

"I'm still in the same place . . . I was there from the beginning," Volozh said when asked about his anti-war statement.

Volozh, who is an Israeli citizen after having moved to the country in 2014, hopes that the European venture will allow Nebius to harness the former Yandex engineering talent without facing the restrictions on any Russian company seeking to do business in the west.

"We have zero connection, which means zero," he said. "There is no byte or bit going between us and our previous company. It's a new company, new infrastructure, new corporate entity."

The Nasdaq-listed company has built up clusters of tens of thousands of Nvidia chips in its existing data centre in Finland, which it plans to triple in size in an effort to take on big cloud providers

including Microsoft, Amazon and Google in the area of AI applications.

Nebius is touting a "strong long-term relationship" with leading AI chip-maker Nvidia to help it procure powerful new processors even amid soaring demand.

Its data centre is home to a supercomputer that it says is the most powerful in Europe.

"It's in [Nvidia's] interest to diversify their client base – they're interested in

'It's in Nvidia's interest to diversify their client base – they're interested in growing guys like us'

growing guys like us," Volozh said. "We've had a working relationship with them for years. They know and trust us."

Nebius has commissioned an audit from a Big Four auditor to certify it no longer has any ties to Russia, he added.

"You own basically the same stock but it's a different company [that has] completely pivoted. We cannot offer you exposure to the Russian IT ecosystem

Fixed income

Bondholders braced for Thames Water downgrade to junk status

EUAN HEALY AND GILL PLIMMER
LONDON

Thames Water bondholders are braced for more than £10bn of the company's debt potentially being downgraded to junk status – a move that could result in greater regulatory scrutiny and send shockwaves through Europe's high-yield bond market.

Rating agency S&P said last week that it could downgrade the utility's safest class of bonds, which currently have the lowest investment grade rating of triple B minus because the UK's biggest water supplier "might not be able to maintain adequate liquidity".

The rating action would mean that £10.8bn-equivalent of the safest tier of Thames Water debt – made up of euro- and sterling-denominated bonds – would sink to a level that could trigger intervention by regulator Ofwat.

The water utility needs to maintain two investment grade ratings in order to comply with its licence, unless Ofwat makes an exception to allow just one.

Moody's also currently assigns the lowest possible investment grade rating to Thames' most senior bonds – with a negative outlook.

A downgrade could also raise the cost of borrowing for the company, which

It could cause 'quite a headache for high-yield considering the complexity of [instruments] in play'

provides water and sewage services to around 16mn households.

That would pile pressure on Britain's biggest water utility, which is already struggling under its £18bn debt pile and seeking to avoid being taken over by the government's special administration regime – a form of temporary renationalisation.

A downgrade is also likely to put pressure on the €500bn European high-yield debt market, with bonds issued by Thames – whose riskier class of debt is already rated junk – potentially accounting for about 11 per cent of the sterling high-yield index, instantly making it the largest issuer in this market.

"This would be the largest ever sterling corporate issuer to be junked and could cause quite a headache for high-yield considering the quantum and complexity of debt instruments that are in play," said Simon Matthews, a portfolio manager at Neuberger Berman.

The company says it has enough cash to last until May next year but needs to raise £750mn in equity from investors by then and a further £2.5bn by 2030.

It is hoping to raise debt and equity this autumn but it is unclear whether this will succeed after its existing shareholders declared the company "uninvestable" and reneged on a pledge to invest equity into the business.

Thames Water declined to comment. Ofwat did not immediately respond to a request for comment.

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COMPANIES & MARKETS

The day in the markets

What you need to know

- US retail sales figures boost index of smaller US groups
- Consumer data also buoy dollar and Treasuries prices
- European stocks extend sell-off from previous session

US small-caps extended a rally yesterday after stronger than forecast retail sales figures boosted investor hopes that inflation is being brought under control without triggering a recession.

The Russell 2000 small-cap index was up 2.4 per cent by lunchtime trading in New York, taking its gain since the start of July to 9.4 per cent.

Last week's lower than expected US inflation data sparked "one of the largest" rotations from tech stocks into small-caps on record, according to Goldman Sachs analysts.

Wall Street's blue-chip S&P 500 rose 0.3 per cent with consumer cyclicals and healthcare stocks the best performers. The tech-heavy Nasdaq Composite fell 0.5 per cent.

The moves came after retail sales in June exceeded analysts' forecasts and May's figures were revised higher in a sign that consumer spending remains resilient.

Following data released earlier this week that showed China's economy grew by less than expected in the second quarter, the "upside surprise in [US] retail sales kills off the worst fears of the 'cracking consumer' theme", said Charlie McElligott, an equity derivatives strategist at Nomura.

The stronger than forecast retail sales data also boosted the dollar, which rose

Stocks of US small companies surge

Russell 2000 index



Source: LSEG

0.3 per cent against a basket of six other major currencies.

The world's de facto reserve currency weakened in the first half of July as lower than forecast inflation figures encouraged traders to raise their bets on a September rate cut from the US Federal Reserve.

Yields on benchmark 10-year Treasuries fell 4 basis points to 4.19 per cent, reflecting rising prices, while those on rate-sensitive two-year Treasuries rose 1bp to 4.46 per cent.

Across the Atlantic, stocks extended a sell-off from the previous session.

The Cac 40 in Paris fell 0.7 per cent as China-exposed luxury goods groups were among the worst-performing stocks, having slumped on Monday after data showed the second-largest economy grew 4.7 per cent year on year in the second quarter, missing forecasts.

The region-wide Stoxx Europe 600 fell 0.3 per cent, Frankfurt's Xetra Dax slid 0.4 per cent and London's FTSE 100 lost 0.2 per cent.

Oil prices dropped as traders continued to weigh China's growth figures. Brent crude, the global oil benchmark, fell 1 per cent to \$84.02 a barrel. **George Steer**

Independence of the Fed is critical for US investors

Ernie Tedeschi

Markets Insight



Budget scorekeeping typically is never top of mind for markets. To the extent markets track policy, central banks are usually king. Central bankers are followed with all the rapt attention of royalty.

By the same token, monetary policy is an afterthought in fiscal analysis. Conventional "budget scores" that analyse the impact of government spending don't consider the US Federal Reserve at all. And dynamic scores, which use models to incorporate macroeconomic feedback effects, usually demote the central bank to a single equation.

This is short-sighted. A new report by the Budget Lab at Yale University shows how the Fed plays an important, if indirect, role in how US fiscal policy will affect the economy in the near future.

In turn, this underlines how critical the Fed's independence is.

It is common shorthand to speak of fiscal policies that seek to boost demand as "inflationary" when Congress enacts them while an economy is at full employment. To the extent a move like a tax cut or a spending increase adds to inflationary pressure by boosting demand, this description is accurate.

But if the Fed anticipates this effect and does its job well by tightening monetary policy, then the trade-off in the economy is not primarily increased inflation but a temporarily higher interest rate that cools the demand shock.

These higher rates then raise debt service costs for the government.

Economists often anticipate this sort of reaction in their forecasts. For example, when the Congressional Budget Office updated its economic projections in the wake of the Tax Cut and Jobs Act's passage in 2017, its inflation outlook

barely budged whereas its projection of the benchmark federal funds rate moved meaningfully higher.

But what if, under political pressure, the Fed chooses not to tighten at all? Then the trade-off of an expansionary fiscal policy would be entirely in the form of higher inflation.

Hence, political capture (the appointment of political loyalists or overt outside political pressure) is another important fiscal dimension to the Fed.

Throughout its history, the Fed has not always maintained political independence. For example, President Richard Nixon pressured Fed Chair

simulations was not disastrous – cumulative inflation over six years was only about a half percentage point higher compared with a non-captured Fed.

But in the worst-case scenarios where lots of inflationary economic shocks happened to hit, the 95th percentile outcome was a price level 2 percentage points higher under a captured Fed.

These results may also understate reality. The Fed's model assumes that markets and consumers will continue to expect the central bank to keep delivering on its inflation goals in the future even when it repeatedly fails to deliver 2 per cent inflation.

When we relax that assumption and allow people to "de-anchor" their inflation expectations – set them more directly on the inflation that they observe rather than the Fed's target – then the bad-case scenario rises to a 5 per cent higher price level over six years for a captured Fed versus a non-captured one. That's almost an extra point a year in inflation.

The upshot is that economists and budget analysts should pay close attention to their assumptions about the Fed in thinking about policy over the next few years. But there are broader implications, too. We believe there is rising political risk in US markets that is probably being underpriced by markets.

Our research indicates that a politically captured Fed could once again quickly lose control over prices during significant economic shocks.

We conducted a macroeconomic experiment of a thousand simulations over the next six years, randomly applying positive and negative economic shocks that ranged between tiny and gigantic. We found that, under a captured Fed, the typical outcome in our

We believe there is rising political risk in US markets that is probably being underpriced

Arthur Burns in the early 1970s to keep monetary policy easy during his re-election bid.

Despite inflationary pressures building since the late 1960s, Burns acquiesced. When the 1973 oil crisis struck, these built-up excess demand pressures collided with the energy supply shock to produce the stagflation of the 1970s.

Our research indicates that a politically captured Fed could once again quickly lose control over prices during significant economic shocks.

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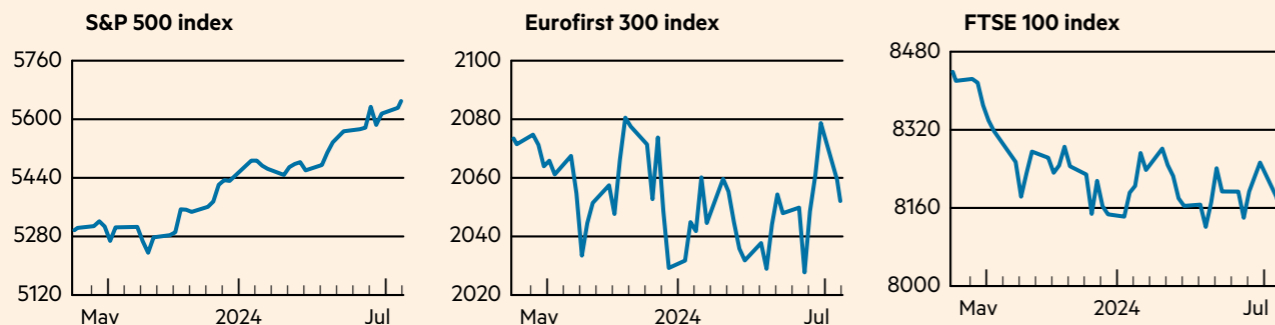
Ernie Tedeschi is director of economics at the Budget Lab at Yale University and former chief economist at the White House Council of Economic Advisers

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5649.73	2052.08	41275.08	8164.90	2976.30	128944.81
% change on day	0.33	-0.30	0.20	-0.22	0.08	-0.29
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	104.211	1.088	158.595	1.295	7.266	5.417
% change on day	0.021	-0.366	0.456	-0.231	0.050	-0.659
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.183	2.400	1.019	4.148	2.233	11.429
Basis point change on day	-2.970	-4.600	-2.590	-5.200	-0.500	11.700
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	545.76	83.97	80.95	2421.25	30.74	4193.00
% change on day	0.09	-1.04	-1.17	0.60	0.07	-0.77

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

	US	Eurozone	UK			
Up	Match	9.15	Commerzbank	3.12	B&M Eur Value Retail S.a.	4.34
	Molina Healthcare	6.31	Fresenius	2.39	Jd Sports Fashion	3.53
	PulteGroup	5.31	A.p. Møller - Maersk B	1.75	Smith (ds)	3.45
	Builders Firstsource	5.18	Evonik Industries	1.50	Marks And Spencer	3.13
	Unitedhealth	4.96	Linde	1.39	Airtel Africa	3.10
Downs	Charles Schwab (the)	-9.20	Hugo Boss	-7.36	Burberry	-5.30
	Raymond James Fin	-4.84	Kering	-3.36	Severn Trent	-4.81
	Ameriprise Fin	-3.65	Casino Guichard	-2.67	United Utilities	-3.67
	Progressive	-3.58	Arcelormittal	-2.49	Glencore	-2.71
	Advanced Micro Devices	-2.36	Hermes Intl	-2.13	Rio Tinto	-2.33

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

Commodities

Gold driven to record high by bets on Fed rate cuts and Trump election win

HARRY DEMPSEY — LONDON

Gold prices surged to a record high yesterday as growing prospects of a series of US Federal Reserve interest rate cuts this year and a second Donald Trump presidency provided a twin boost to the precious metal.

Gold gained 1.7 per cent to touch \$2,465 per troy ounce, eclipsing the previous record struck in May.

The latest gains come after weaker than expected US inflation data last week heightened expectations of lower Fed borrowing costs, which tend to boost non-yielding assets such as gold.

The metal climbed further following the weekend's assassination attempt on Trump, which boosted his odds of a second presidency.

The former president's tariff plans and tax-cutting agenda is expected to increase the US budget deficit and inflame geopolitical tensions, which could fuel longer-term inflationary pressures and burnish gold's safe haven appeal.

"It started with the softening in US inflation data, which helped to reinvigorate expectations for rate cuts," said Suki Cooper, precious metals analyst at Standard Chartered. The attack on Trump has "has helped to reignite the appetite to look for safe havens and inflation hedges", she added.

The all-time high caps a 20-month

The attack on Trump 'has helped to reignite appetite to look for safe havens and inflation hedges'

rally for gold, which has seen it climb 50 per cent as central banks bought record volumes of bullion to reduce their dependence on the US dollar in their reserves.

Gold gained a further tailwind in October when conflict erupted in the Middle East and from voracious appetite for the metal this year from Chinese consumers – as local equities, the prop-

erty market and currency markets have disappointed.

Nicky Shiels, head of metals strategy at MKS Pamp, a Swiss precious metals refinery and trader, said investors were nervous about the prospect of rising US inflation and budget deficits under a Trump administration.

Gold's 6 per cent rise this month has also been driven by bets that the Fed will lower borrowing costs faster than previously expected.

The metal powered higher after the US jobs market showed signs of a slowdown at the start of the month, with last week's faster than expected fall in inflation providing a further boost.

The prospect of a Trump victory could incentivise further gold purchases by central banks despite high prices as "an acrimonious relationship between the US and China" spurs them to continue to seek alternatives to the dollar, according to Bernard Dahdah, an analyst at French bank Natixis. "I wouldn't be surprised if \$2,300 and above becomes the new normal."



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- Value proposition development
- Investor targeting and lead generation
- Best Practices in Aftercare and Business Retention & Expansion
- Sustainable Development and FDI

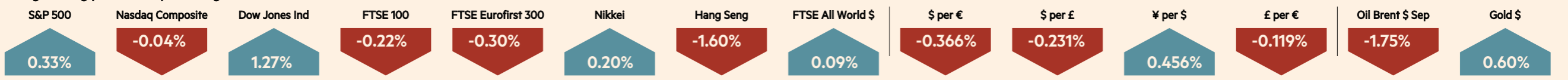
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MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



Table with columns for Country, Index, Latest, Previous, and a sub-table for Active Stocks with columns for stock, close, and Day's change.

STOCK MARKET: BIGGEST MOVERS

Table listing top movers in AMERICA, LONDON, EURO MARKETS, TOKYO, and UK MARKET WINNERS AND LOSERS.

CURRENCIES

Table showing currency exchange rates for DOLLAR, EURO, and POUND against various currencies.

FTSE ACTUARIES SHARE INDICES

Table listing FTSE Actuaries Share Indices with columns for currency, closing price, and day's change.

FT 30 INDEX

Table showing FT 30 Index performance metrics including May 08 to May 17 values.

FTSE SECTORS: LEADERS & LAGGARDS

Table listing FTSE sectors and their performance metrics.

FTSE 100 SUMMARY

Table providing a summary of FTSE 100 components, including company names and their closing prices.

UK RIGHTS OFFERS

Table listing UK rights offers with columns for company name, amount, and date.

UK COMPANY RESULTS

Table listing UK company results with columns for company name, turnover, and pre-tax profit.

UK STOCK MARKET TRADING DATA

Table showing UK stock market trading data including order book turnover and total equity turnover.

Figures in £m. Earnings shown with figures in light text are for corresponding period year earlier. For more information on dividend payments visit www.ft.com/marketsdata

FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World Index Series (large/mid cap)...



UK RECENT EQUITY ISSUES Table listing recent equity issues with columns for company name, issue size, and issue date.

UK RECENT EQUITY ISSUES Table listing recent equity issues with columns for company name, issue size, and issue date.

MANAGED FUNDS SERVICE

Fund	Bid	Offer	Dv./Yield	Fund	Bid	Offer	Dv./Yield	Fund	Bid	Offer	Dv./Yield	Fund	Bid	Offer	Dv./Yield	Fund	Bid	Offer	Dv./Yield					
Algebris Financial Credit I EUR	€203.42	-	0.11	0.00	Algebris Financial Credit R EUR	€173.42	-	0.08	0.00	Algebris Financial Credit R2 EUR	€95.30	-	0.04	6.05	Algebris Financial Income I EUR	€226.46	-	0.35	0.00	Algebris Financial Income R EUR	€203.41	-	0.29	0.00
Algebris Financial Income R2 EUR	€113.79	-	0.17	4.63	Algebris Financial Equity B EUR	€233.97	-	1.00	0.00	Algebris Financial Equity R EUR	€193.14	-	0.82	0.00	Algebris IG Financial Credit I EUR	€110.15	-	0.07	0.00	Algebris IG Financial Credit R EUR	€107.58	-	0.06	0.00
Algebris Global Credit Opportunities R EUR	€1144.51	-	0.07	0.00	Algebris Global Credit Opportunities R2 EUR	€1140.20	-	0.06	0.00	Algebris Global Credit Opportunities R3 EUR	€1141.09	-	0.04	4.61	Algebris Core Italy I EUR	€160.12	-	-0.49	0.00	Algebris Core Italy R EUR	€150.18	-	-0.47	0.00
Algebris Sust. World B	€131.23	-	-0.43	0.00	Algebris Sust. World R	€128.31	-	-0.44	0.00															

The Antares European Fund Limited	Other International			
AEF Ltd USD	\$541.01	-	-13.82	0.00
AEF Ltd Eur	€486.45	-	0.25	0.00

Artemis Fund Managers Ltd (1200F)	(UK)			
57 St. James's Street, London SW1A 1LD 0800 092 2051				
Artemis Corporate Bond I Acc	2777.72	-	-2.88	3.39
Artemis European Select I Acc	106.43	-	0.18	5.15
Artemis Global Income I Inc	574.92	-	-1.92	2.66
Artemis Global Select I Acc	152.68	-	-1.79	1.67
Artemis High Income I Q Inc	205.74	-	-0.60	-
Artemis Income I Inc	461.24	-	-0.99	2.40
Artemis Monthly Dist I Inc	137.94	-	0.19	3.12
Artemis Positive Future Fund	196.25	-	-0.98	0.53
Artemis Short-Dn Strat Bond	118.47	-	-0.01	4.68
Artemis SmartGARP Eur Eq I Acc	73.17	-	0.02	5.89
Artemis SmartGARP Glomr Eq I Acc	280.00	-	-1.52	3.59
Artemis SmartGARP Glo Eq I Acc	77.56	-	-0.01	-
Artemis SmartGARP UK Eq I Acc	65.64	-	-0.22	0.00
Artemis Strategic Assets I Acc	102.41	-	-0.23	1.80
Artemis Strategic Bond I O Acc	111.99	-	0.23	4.44
Artemis UK Select Fund Class I Acc	100.25	-	-3.30	2.22
Artemis UK Smaller Cos I Acc	245.28	-	-4.66	2.17
Artemis UK Special Sit I Acc	929.34	-	-2.28	2.12
Artemis US Extended Alpha I Acc	445.71	-	-1.15	0.00
Artemis US Select I Acc	410.34	-	-0.92	0.00
Artemis US Smr Cos I Acc	370.82	-	0.98	0.00

Artemis Fund Managers Ltd (1200F)	(UK)			
57 St. James's Street, London SW1A 1LD 0800 092 2051				
Artemis Corporate Bond I Acc	2777.72	-	-2.88	3.39
Artemis European Select I Acc	106.43	-	0.18	5.15
Artemis Global Income I Inc	574.92	-	-1.92	2.66
Artemis Global Select I Acc	152.68	-	-1.79	1.67
Artemis High Income I Q Inc	205.74	-	-0.60	-
Artemis Income I Inc	461.24	-	-0.99	2.40
Artemis Monthly Dist I Inc	137.94	-	0.19	3.12
Artemis Positive Future Fund	196.25	-	-0.98	0.53
Artemis Short-Dn Strat Bond	118.47	-	-0.01	4.68
Artemis SmartGARP Eur Eq I Acc	73.17	-	0.02	5.89
Artemis SmartGARP Glomr Eq I Acc	280.00	-	-1.52	3.59
Artemis SmartGARP Glo Eq I Acc	77.56	-	-0.01	-
Artemis SmartGARP UK Eq I Acc	65.64	-	-0.22	0.00
Artemis Strategic Assets I Acc	102.41	-	-0.23	1.80
Artemis Strategic Bond I O Acc	111.99	-	0.23	4.44
Artemis UK Select Fund Class I Acc	100.25	-	-3.30	2.22
Artemis UK Smaller Cos I Acc	245.28	-	-4.66	2.17
Artemis UK Special Sit I Acc	929.34	-	-2.28	2.12
Artemis US Extended Alpha I Acc	445.71	-	-1.15	0.00
Artemis US Select I Acc	410.34	-	-0.92	0.00
Artemis US Smr Cos I Acc	370.82	-	0.98	0.00

Ashmore Group	61 Aldwych, London WC2B 4AE. Dealing team: +352 27 62 22 233			
Emerging Markets Bonded Debt Fund	€ 56.78	-	-0.13	4.64
Emerging Markets Equity ESG Fund	€ 158.07	-	-0.17	5.07
Emerging Markets Equity Fund	€ 144.86	-	-0.88	0.00
Emerging Markets Active Equity Fund	€ 133.63	-	-1.03	0.00
Emerging Markets Corporate Debt Fund	€ 60.77	-	0.03	4.40
Emerging Markets Debt Fund	€ 63.53	-	-0.13	4.85
Emerging Markets Frontier Equity Fund	€ 221.72	-	0.26	1.55
Emerging Markets Local Currency Bond Fund	€ 62.62	-	-0.15	5.09
Emerging Markets Sovereign Debt Fund	€ 87.21	-	-0.99	0.00

Atlantis Sicav	(LUX)			
American Dynamic	\$804.45	-	288.18	0.00
American One	\$827.85	-	90.12	0.00
Bond Global	€168.16	-	0.32	0.00
Eurocoronavirus	€145.03	-	6.96	0.00
Far East	€101.75	-	9.03	0.00

Blue Whale Investment Funds ICAV	(IRE)			
www.bluewhale.co.uk, info@bluewhale.co.uk				
Blue Whale Growth USD T	€ 14.34	-	0.00	0.00

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Euro High Income	€1,237.0	-	0.029	2.50
High Income	€0,957.7	-	0.024	3.77
Starling Bond	€1,208.8	-	0.021	2.06
Brooks Macdonald International Multi Strategy Fund Limited				
Balanced Strategy A	€1,007.7	-	0.020	1.34
Cautious Balanced Strategy A	€0,939.6	-	0.004	1.89
Growth Strategy A	€1,047.1	-	0.021	0.90
High Growth Strategy A	€1,056.5	-	0.015	0.65
Cautious Balanced Strategy	€1,315.1	-	0.005	0.00
Growth Strategy	€2,194.7	-	0.040	0.00
High Growth Strategy	€3,109.0	-	0.046	0.00
USS Growth Strategy	\$2,952.4	-	0.017	0.00
Dealing Daily. Initial Charge Nil for A classes and up to 2% for other classes				

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ARTS

Fondation Beyeler's latest show in Basel is conceptual, delightful and never stops changing. By Melanie Gerlis

Imagine a museum exhibition that invites you to have a nap, smoke a cigarette and drink a negroni while the art around you is sporadically rehung, a sweet potato cooks in a microwave and every so often you are enveloped by a thick fog.

It sounds like an art student's project but it is in fact the current exhibition at Basel's Fondation Beyeler, renowned for its rich collection of heavyweight Modernists and recent landmark shows of Mondrian, Picasso and Basquiat. Purists might balk, but what could have come across as an amateurish experiment — including a title that changes throughout its 12-week run — makes conceptual art accessible, delightful even, without resorting to easy entertainment.

It succeeds for two reasons. First, because most of the 50 artists involved are among the brainiest and best-known in their fields today. They were also involved in organising the show, alongside curators such as Hans Ulrich Obrist, artistic director of Serpentine Galleries, and Paris-based Mouna Mekouar.

Their vision, in partnership with the forward-thinking Luma Foundation, has hatched some thought-provoking new works. Rirkrit Tiravanija, an artist who explores social interaction, reminds us of the need to pause by converting the foundation's small terrace into a negroni bar and slow-cooking kitchen called the Old Smokey Lounge. Adrián Villar Rojas provides the microwaved sweet potato as the basis of a supersized sculpture of hybrid organic and man-made forms developed within an AI-powered world (another of his works emerges from a whirring washing machine). The offer of a bed, which can be booked by the hour or overnight, comes courtesy of Carsten Höller, who once filled Tate Modern's Turbine Hall with an adult playground to investigate how thought and sensation interact. At the Beyeler, he has worked with a dream scientist to make a transformative, if not necessarily restful, sleep on a motorised bed surrounded by suspended mushrooms that seem to fly under a red light.



Main: one of Andy Warhol's 'Flower' paintings being wheeled between rooms. **Below:** 'The sun eats her children' by Precious Okoyomon — Stefan Bohrer

An exhibition in motion

The second reason for the show's success is that it plays with the enviable raw material of the foundation's collection, manipulated by Tino Sehgal, famed for his transient projects where he creates situations that disrupt familiar contexts. At the Beyeler, he has chosen more than 70 pieces to rehang and reposition, with some unexpected live action from staff moving the works during opening hours, leading to jaw-dropping juxtapositions.

When I visited in mid-June, these included one room in which the pink panels of Francis Bacon's weighty triptych, "In Memory of George Dyer" (1971) had been separated — an iconoclastic act — with each part placed flush against crumpled canvases by Rudolf Stingel, unremarkable works from 2019 that are successfully elevated. Alberto Giacometti's "Large Standing Woman" bronzes (1960) were choreographed to look at the display.

But they might not be there every day, given Sehgal's plan. Alternative hooks are visible on the walls while a museum truck, used to carry work around the building, sits ready in the exhibition rooms. I witnessed tightly packed works by Marlene Dumas and Wilhelm Sasnal being switched around.

There are understandable conservation concerns about moving fine art around at a pace but such issues have been "at the centre of all decisions", says Sam Keller, director of the Beyeler. Fragile paintings are not included in the dancing displays, he says, adding that "the exhibition has already run for several weeks without problems".

Tickets to the show include a second visit to encompass a different experience. The exhibition I saw was called *Dance with Demons*, its name during the opening days of the Art Basel fair, but later in the week it became *Echoes Unbound*. There are 16 to rotate through, inviting the question of how much titles and display affect a museum visit. Works are not labelled — though there is a detailed guidebook for those less *au fait* with conceptual constructs and the canon of art history.

The inside of the sublime Renzo Piano-designed building proves the most powerful part, but the Beyeler's grounds offer some treats too. These

include a greenhouse full of strongly smelling plants and tropical butterflies, a work by the poet-artist Precious Okoyomon. This is not a botanical-garden jolly: the plants are all in some way poisonous (with toxicity that ranges from "mild to deadly", the guidebook tells us); the butterflies hatch and die; and at one end of the greenhouse lies a large, animatronic teddy bear in knickers, which occasionally wakes from its slumber to scream. The work is called "the sun eats her children" (2024).

It is hard to unify the works but some contemporary preoccupations come through. Many of the artists, including Höller, have a grounding in science. "Membrane 2" (2024), a tower by Philippe Parreno which resembles a clunky, rather unsafe, fairground ride, is embedded with sensors that detect and replay stimuli from its surroundings, extending even to the ducks in the Beyeler's pond. The California artist Ian Cheng, also an expert in video-game engine software, brings an anime film based on a mutating creature called Chalice ("Thousand Lives", 2023-24). Both works rely on gathering user data to affect environments and raise issues around AI. They prompt the uncomfortable question that extends from Sehgal's creations too: to what extent can real-life activity be simulated?

Other works activate areas of the museum that might go unnoticed, in keeping with a trend towards less hierarchical constructs. These include a work by the discombobulating Dozie

Staff move the works during opening hours which leads to jaw-dropping juxtapositions

Kanu, who places found, often modified objects, such as medical instruments or a fan in chains, in display cases within the museum's cloakroom.

The mysterious fog, a new work by Fujiko Nakaya, who has created more than 70 such environments that she calls sculptures, helps to unify the potentially disparate projects. Emerging from a sophisticated pump system outside the building, it can entirely cloud the Beyeler's grounds. The fog proves just as powerful from inside, suffocating the building and forcing a pause that leaves visitors with only their own thoughts about what they are experiencing rather than seeing. As such, it manages to reveal the point of this brave exhibition, whatever its title that day.

To August 11, fondationbeyeler.ch



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Flock

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Chris Allnutt

Taxonomists don't get much of a look in when it comes to video games. Or bird-watchers, for that matter. Something about the slow, meticulous nature of these activities has proven hard to render in pixel form — but that's where *Flock* comes in. Forget high-octane, all-action spectacles, this is a game about the slow-paced joys of waiting, observing and classifying.

All the descriptions of *Flock* call it a game about "the joy of flight", but it's as much about stopping as it is about soaring. As a Bird Rider, your days consist of piloting a colourful bird around a lush landscape called the Uplands, making you the ideal candidate to help your aunt and zoology professor Jane compile a guide to the local creatures. These eccentric beings are somehow connected with a thick fog blanketing the land, so it's up to you to find them and restore some visibility to the landscape.

To do this, you'll need to glide around looking for flashes of colour in the grass and listening for distinctive trills amid the trees. Each of the 12 invented families of animals has a number of species, each with different traits, and it's your job to match their descriptions to the animals you see.

The pink-nosed cosmet, for example, always has a nose a different colour from its body; the puffing drupe, meanwhile, leaves a trail of smoke in its wake. There's not a lot at stake — if you get it wrong, well, you can just try again until Jane agrees with your assessment.

Identification is only one half of the process, however. Once you've located a creature, you can attempt to charm them by mimicking their call in order to add them to your flock. Hazy are both the ethics of this (am I imprisoning these poor beasts in some kind of trailing multicoloured circus?) and its purpose. Sometimes Jane's students will ask to see the species you've charmed, but to begin with you seem to be doing it simply to look fabulous as you fly about.

Which begs something of an existential question for *Flock*. The game controls the height of the bird for you and will prevent you from slamming beak-first into boulders in your flight path. So if you can't swoop and soar on a whim (let alone experimentally self-destruct), is it really a game about the joy and possibility of flight?

There are titles like *Journey* and *Limbo*, so abstract and mysterious in

their execution that the sheer joy of discovery is enough to carry your curiosity on. There are games like *Stardew Valley* and *Animal Crossing*, outwardly cutesy but with surprising depth to their game mechanics. But *Flock* doesn't fit in either of these circles: it's pretty but not screen-meltingly so, abstract but not without instructions, engaging but eventually repetitive.

As the creatures you're looking for become increasingly elusive, the process for spotting them becomes more of a chore as you're forced to stare really hard at rocks and work out if they're sentient beings.

While there are the makings of a uniquely restful and quirky game here, *Flock* never quite finds a way of raising its gameplay into the stratosphere. In the end, the result is a flight memorable as much for its turbulence as for its triumphs.

Discover the joy of flight and grow your flock along the way



FT BIG READ. SPACE

Nasa is leading a global push to eventually allow humans to live and work on the lunar surface. But for all the investment and ambition, there are no guarantees of success.

By Clive Cookson and Peggy Hollinger

The race to return to the Moon

When Luca Parmitano looks up at the Moon glowing in the night sky, his sense of wonder is mixed with personal anticipation. As an experienced member of the European astronaut corps, he stands a good chance of flying there — “the ultimate dream of someone like me who has trained as a test pilot.”

Parmitano hopes to take part in a mission in the late 2020s to build the Lunar Gateway, an international space station that will orbit the Moon and support the US-led Artemis programme to establish a human presence on the lunar surface. “Helping to construct the Moon’s first permanent infrastructure is what my whole career has been heading towards,” says the 47-year-old Italian.

For several decades after the Apollo landings, Earth left the Moon alone. Then a wave of uncrewed missions started in 2008-09 when Indian, Chinese and Japanese spacecraft reached the lunar surface. In 2013, China’s Chang’e-3 made a soft landing.

But the global race to the Moon really kicked off in 2017, when the US set up the Artemis programme. “Our goal is to learn how to live and operate on the Moon and do the science there”, says Jim Free, associate administrator of the US space agency Nasa, “so that, when we can, we go on to Mars. Our job is to build a sustainable blueprint for exploration of the solar system.”

Nasa is targeting the Moon’s South Pole — a prime destination for lunar missions because scientists believe the region’s craters are rich with ice, a vital water source. Astronauts who step on to the moon for the first time since 1972 “will experience dreamlike images very different from the pictures taken by the Apollo crews more than 50 years ago,” Parmitano says. “The sun will always be very low on the horizon, with slanting light creating deep shadows and illuminated peaks.”

For all the investment, however, there is no guarantee that the new race for space will have a lasting impact. The best outcome by 2050, according to some space industry consultants, would be a permanent human presence, tourism and access to abundant energy and resources. But they also acknowledge that it could result in little more than sporadic scientific missions.

And for these grand ambitions to be realised, it will be necessary to navigate some complex geopolitics that include large state-funded space agencies that

‘We are dealing with finite space. There’s going to be conflict at every level. In the next five years, we have to figure out how to mitigate that’

have an eye on eventually establishing lunar bases in similar places.

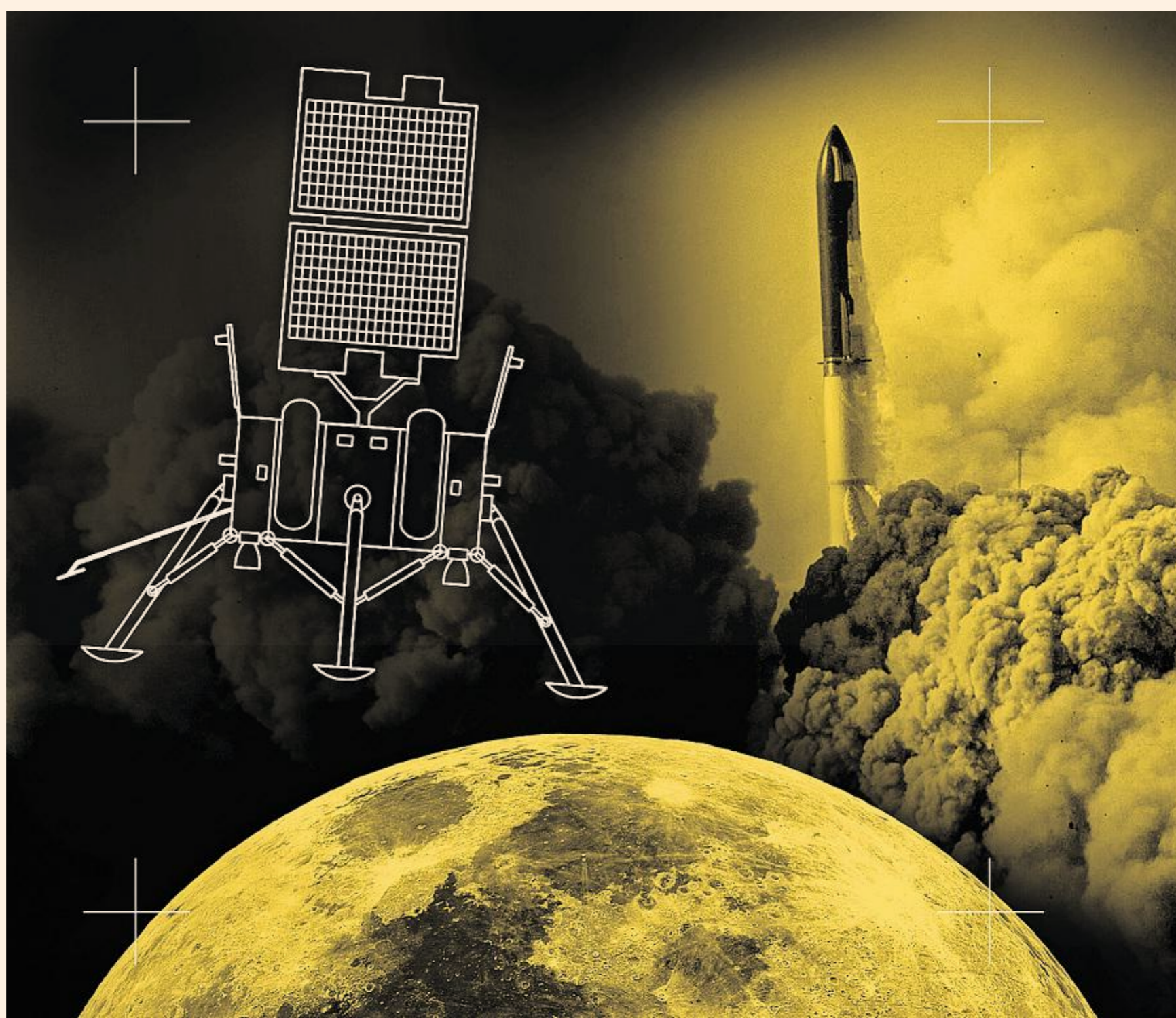
Nasa dominates the western world’s lunar activities, working with the Europeans, Japanese and others who are using collaboration to build up their own expertise. The agency’s target date for returning astronauts to the Moon is September 2026, two years after originally planned, though many experts expect further slippage.

China and India, meanwhile, have both recently demonstrated their lunar prowess. In June, China’s Chang’e-6 returned to Earth with 2kg of rock and soil samples from the far side of the Moon, the remote area permanently turned away from Earth. The China National Space Administration aims to land a crew near the South Pole by 2030.

India’s Chandrayaan-3 probe touched down near the Moon’s South Pole last year and transmitted scientific observations about the chemistry and physics of the lunar environment. The Indian Space Research Organisation (ISRO) is planning further robotic missions, and aims to make a crewed landing by 2040.

There is one notable absence from the new Moon race: Nasa’s old rival Russia, whose space exploration programme has faded into a pale shadow of its Soviet predecessor in the 1960s. After last year’s humiliating failure of the Luna-25 mission, the country’s first attempted lunar landing since 1976, the future of its Moon ambitions is uncertain. One route may come from Russian participation in China’s planned moon base, the International Lunar Research Station.

Many assume that the US and its Artemis allies will be the first to estab-



Plans are under way for the Lunar Gateway, a new international space station that will orbit the Moon and support a new era of space exploration

FT montage/Getty Images

lish lunar sites — and claim desirable locations — but that is not a foregone conclusion, says Michelle Hanlon, director of the Centre for Air and Space Law at the University of Mississippi.

“We are dealing with a very finite space and there’s going to be conflict at every level,” adds Hanlon. “In the next five years, we have to figure out how to mitigate it so that it doesn’t escalate.”

Four overlapping motivations are driving the new race to the Moon, says Daniel Neuen-schwander, head of human and robotic exploration at the European Space Agency (Esa).

“They are scientific research, technological development, geopolitical considerations and inspiration,” he says. “There is a huge potential for science education, as was seen in the US with the Apollo programme.”

Scientists relish the prospect of doing research on and from the Moon, says Ian Crawford, professor of planetary science at Birkbeck, University of London.

He describes the Moon as a “museum of solar system history”. “Because it has no atmosphere and has been geologically inactive for billions of years, the surface will preserve a record of everything that has hit or fallen on the Moon, including the solar wind, particles, meteorites and galactic cosmic rays.”

Digging deeper might expose primordial lunar material to reveal new details

about the early history of the solar system.

“At the same time, the Moon could be a valuable platform for observational astronomy looking out into space,” Crawford adds. The far side, permanently shielded from terrestrial interference, is the ideal site for radio-astronomy.

Technological development on the Moon has two strands, says Esa’s Neuen-schwander. “One is to be a test bed for technologies we’ll need to go to Mars and beyond, such as life support systems and habitat construction,” he explains. “The second point is that there will be spin-offs on Earth — for energy production and storage, sustainable living technologies, even 3D printing of habitats.”

Then there are geopolitical reasons for exploring and colonising the Moon, which the space industry is more reluctant to discuss. “National prestige is an element that we haven’t talked about enough,” says Thomas Zurbuchen, professor of space science at ETH Zurich who ran Nasa’s science missions until 2022. “People want to plant their flags to show technical superiority.”

In April, the US and Japan signed an agreement for the Japanese Space Agency (Jaxa) to develop and operate a pressurised rover for lunar exploration, which Nasa will deliver to the Moon. At the same time, the two allies announced “a shared goal for a Japanese national to be the first non-American astronaut to land on the Moon.”

Esa has been promised seats for European astronauts on an early mission in return for its contributions, including modules for Nasa’s Orion spacecraft that will carry humans to the Moon.

Neuen-schwander sounds disappointed but pragmatic about the prospect of a Japanese astronaut landing before a European. “We understand that there is a geopolitical element here. The co-operation between Japan and the US goes far beyond space,” he says.

The defence dimension of lunar programmes is “really critical”, Zurbuchen says. “Many people have not appreciated this almost military viewpoint. It may be only a small part of what motivates Nasa but ignoring it does not tell the whole story.”

Disputes are likely to focus on the South Pole, believed to hold the Moon’s largest concentration of ice. Water will be essential for human settlements — not only for drinking, cooking, washing and growing plants but also to split chemically into oxygen and hydrogen for breathing and fuel, using solar

electricity. Although lunar probes have already detected water, there remains huge uncertainty about its quantity and quality, says Zurbuchen, with estimates ranging from hundreds of millions to hundreds of billions of tonnes. Nor is it clear whether water exists mainly in the form of tiny ice crystals mixed finely with the lunar soil, which would be hard to extract and purify, or whether thicker layers of ice might be accessible from the surface.

Some answers are expected from the next generation of rovers. Nasa’s Volatiles Investigating Polar Exploration Rover (Viper), due to launch in November, will spend 100 days looking for water near the South Pole, equipped with a one-metre drill. A joint Lunar Polar Exploration (Lupex) mission between Jaxa and ISRO, scheduled for launch next year, should provide more data.

Until more is known about the distribution of water reserves, it will be hard to assess the risk of conflict between rival space powers over prime landing and colonisation sites. In 2022, Nasa published a list of 13 candidate sites for Artemis landings within six degrees of the South Pole, each measuring 15km by 15km. They were chosen according to scientific criteria including terrain slope and lighting conditions as well as proximity to permanently shadowed areas — and reports suggest that China is eyeing some of the same sites.

Nasa cannot reserve or make territorial claims over any of those sites, under the terms of the 1967 Outer Space Treaty, described as “our Magna Carta” by the University of Mississippi’s Hanlon. But the Artemis Accords, drawn up by the US and signed by 43 countries, though not by China or Russia, allow for lunar operators to set up a “safety zone” around their activities “to avoid harmful interference.”

“Let’s say China beats the US to the Moon,” says Hanlon. “Then China might say, ‘You had a great idea of safety zones and we’re here on the South Pole where all the water is. We need a 40km safety zone.’”

Disputes will be inevitable, Hanlon says. In the current geopolitical climate, there seems little prospect of a new global agreement to update the Outer Space Treaty in a way that reduces the risk of clashes between competing explorers and settlers.

Koji Yamanaka, director of Jaxa’s space exploration centre, is more optimistic. “I cannot predict two or three hundred years into the future but for the moment we don’t have to worry about

lack of space,” he says. “Of course we will try to co-ordinate but there’s no need for conflict.”

If human settlements on the moon expand, as space optimists hope, their creation and servicing will fuel a multibillion dollar lunar economy. Contractors and suppliers will initially be funded by governments through space agencies but a sustainable commercial sector could develop over time.

Yamanaka lists some of the opportunities that could open up on the Moon: generating, storing and transporting energy and fuel; communications and transport; providing water and oxygen; construction; growing and distributing

‘The first stage will be millionaires or billionaires wanting to go to the Moon. Ordinary people will be able to go, but we don’t know when’

food; waste management; health and fitness; entertainment, culture and sport.

But there are challenges that come with life on the Moon. One significant problem is the presence of regolith, the loose grey soil covering the lunar surface. Its sharp, abrasive and toxic dust particles are a hazard to the health of humans and machinery, as the Apollo astronauts found.

“Their suits broke down at much greater rates than Nasa was expecting,” says John Culton, head of the Andy Thomas Centre for Space Research at the University of Adelaide. “They were so damaged by three trips outside that they were no longer capable of securing the oxygen inside the suit.”

More research will be needed into hardening robotic machinery against the pervasive regolith dust, he says, as well as stopping it getting into astronauts’ helmets, gloves and spacesuits or into their living quarters.

Home comforts will also be essential for the morale and effectiveness of astronauts living and working on the Moon, initially for 30-day periods. “Their happiness is important,” says Nasa’s Free. “And as someone who loves coffee, a coffee machine is essential.”

Opinions differ on when, if at all, lunar tourism will take off on a significant scale. “The first stage will be some millionaires or billionaires wanting to go there,” says Yamanaka, adding that one day ordinary people “will be able to go to the Moon, but I don’t know when.”

Water — and the hydrogen and oxygen produced from it — will be the most important resource for the lunar economy, for use on the moon and on missions heading further into the solar system. Lunar rock could also yield metals and minerals for local manufacturing.

Whether the moon holds resources valuable enough to extract and bring back to Earth is less certain. Some see helium-3, an isotope that is extremely rare on Earth but more abundant on the lunar surface, as an attractive candidate for use in fusion reactors, says Francis Rocard, head of solar system exploration at the French space agency CNES. “But it will be in the second part of this century, certainly not before — if nuclear fusion works.”

The consultancy Arthur D Little, working with the European business group Euro2Moon, has developed five plausible scenarios for lunar development, from the Prosperous Frontier with thriving tourism, long-term habitation and abundant resources to a Desolate Horizon with no economic activity. But it will take time to know which scenario will be realised.

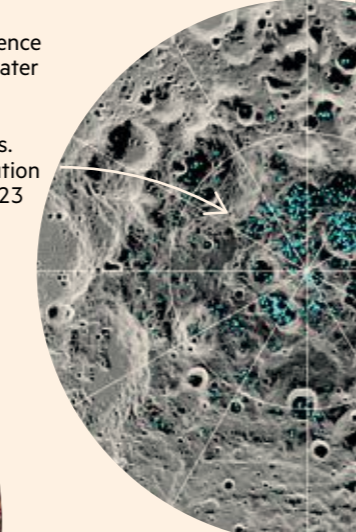
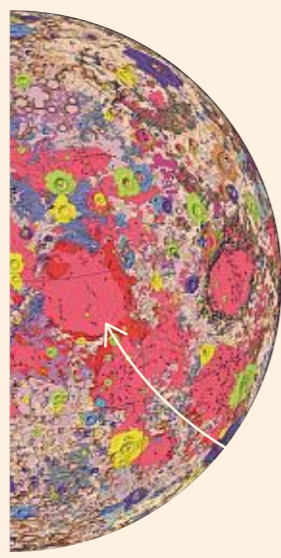
“In seven to ten years’ time we will probably be able to pick one or two with quite a good degree of certainty, whether it’s the Desolate Horizon, Prosperous Frontier or somewhere in between,” says managing partner Matteo Ainardi.

Parmitano, the Esa astronaut, is uncertain too about humanity’s longer-term future on the Moon.

“It’s something we’re trying to figure out as an agency and on a personal level,” he says. “For the next decade or two, we want to understand the most sustainable way to support settlement on the lunar surface. We have to try because space exploration aims to answer some of our ultimate questions as humans.”

Moon resources

Confirmation of ice’s presence in 2018 and embedded water molecules in 2020 raised possibilities for use in life support and fuel synthesis. Mapping of water distribution near the South Pole in 2023 focused interest there



Helium-3, used in fusion energy generation, is rare on Earth but samples suggest the Moon could hold at least 1mn tonnes. Rare earth metals are also present

The US Geological Survey created this geological map from satellite data in 2020

Sources: Nasa; US Geological Survey

The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

Shock therapy alone will not cure Nigeria's economic ills

Tinubu's reforms need to be bolstered by a national strategy for growth

In the nearly 15 months since Bola Tinubu became president, he has forced his 220m fellow Nigerians to swallow some bitter medicine. He removed a generous fuel subsidy, one of the few benefits citizens receive from their inefficient and corrupt state. He allowed the country's currency, the naira, to enter freefall, fuelling imported inflation and triggering the worst cost of living crisis in a generation.

These measures have pushed tens of millions of already impoverished people deeper into misery. But they were necessary to begin correcting the country's long-term economic demise. The fuel subsidy was ruinously expensive, guzzling nearly a third of the federal budget. It was also distortionary, channeling Nigerians' energies into rent-

seeking, smuggling and graft. The exchange rate regime, which vastly overvalued the naira, wiped out exports of everything but oil. While genuine industries were starved of hard currency, cronies accessed cheap dollars to sell on the black market. Nigeria's elite learnt a lesson that was toxic to the nation's prospects: why produce anything when you can make a killing through arbitrage?

Moving to more orthodox policies is vital to reset an economy that has not grown in per capita terms for a decade and where one of the most lucrative industries has been kidnapping. It is necessary, but insufficient. "Tinubonomics" is so disjointed it barely deserves the name. Shock therapy will probably fail if important adjustments are not made.

First, the president must chart a course ahead and convince Nigerians they are in it together. For that to be remotely credible, the political class must make sacrifices. Out must go lav-

ish pay rises for civil servants and flashy cars (not to mention jets) for government officials. Tinubu only has to look at Kenya, where violent street demonstrations have forced the government to withdraw tax rises, to see what happens when a sense of injustice festers.

Likewise some savings from the fuel subsidy should be redeployed to support the most economically vulnerable as a priority. Hunger levels are soaring and millions of children are foregoing meals and school. Nigerian politicians love to be seen handing out bags of rice. But what is needed is direct cash payments to people's phones, the technology for which exists, and in the longer-term a proper safety net.

As things stand, the state lacks either the capacity or the probity to administer such a scheme. Tinubu needs to fix that urgently. With a few exceptions, his cabinet is full of lightweights who owe their jobs to political patronage, not to expertise. Technocratic talent exists in abundance. It must be marshalled.

With a few exceptions, his cabinet is full of lightweights who owe their jobs to political patronage, not to expertise

Corruption needs to be tackled. It does not help that Tinubu's own vast wealth is not easy to decipher, nor that his poverty minister was suspended for alleged diversion of funds, something she denies. It does not help either that the state is implicated in the wholesale theft of oil, depriving the nation's coffers of billions of dollars. Tinubu should use all his political guile to staunch the flow.

Some will argue that Nigeria's state is so weak all Tinubu can do is remove its influence and retreat. Nigeria collects tax worth about 10 per cent of gross domestic product, one of the lowest rates in the world. That is a sure sign of how little trust exists between the government and the governed. But if the economy is to be revived, the state needs to be an enabler. It must provide power, roads, security and justice, not to mention schools, hospitals and support for the poorest in society. Without a joined-up and articulated plan, Tinubu's bitter medicine will not cure Nigeria's ills. It will just leave a bad taste.

Opinion Science

Questions behind the Ozempic baby boom

Andy Carter



Anjana Ahuja

Women taking the anti-diabetes medication Ozempic might have an extra reason to pat their tummies. Not only does the injectable drug lead to weight loss, a finding that has sparked frenzied off-label demand worldwide, but in recent months it has also been linked to a surprise baby boom.

Now scientists are trying to unpick the mechanism behind the "Ozempic babies" phenomenon, which has been reported by users of similar medications, too. This matters: the drugs were never tested for use by women who were pregnant or trying to conceive, and animal studies on Ozempic's key ingredient, semaglutide, suggest an association with birth defects.

Today, the number of people taking weight-loss medications makes this an urgent health issue. While they are

struggled to conceive; others were on contraception at the time (as the prescribing guidelines all clearly advise). While there are no firm figures on how many people are affected, Novo Nordisk, the manufacturer of Ozempic and Wegovy, has opened a pregnancy registry to follow up babies in their first year of life. A spokesperson for Eli Lilly, which makes Mounjaro and Zepbound, said the company had not studied the effect of tirzepatide on fertility and said it should not be used by pregnant women or those hoping to conceive. And a spokesperson from Novo Nordisk stressed that semaglutide should not be used during pregnancy and that the company did not condone, suggest or encourage any use outside of approved indications.

Most researchers believe that the baby boom is simply down to weight loss boosting fertility. Diabetes and obesity are known to disrupt the menstrual cycle and ovulation; both diseases lower female fertility and raise the risk of miscarriage and other complications. They also hamper male fertility by compromising sperm quality.

But Charlotte Moffett, a pharmacology researcher at Ulster University, thinks there might be more to it, because the same receptors targeted by the weight loss drugs are found in the reproductive system. "These GLP-1 receptors... are in the pituitary gland and the hypothalamus," she told me. "We see them on the ovaries, on the testes and all along the endometrial lining." That means they could be involved in hormone production, ovulation and implantation, as well as in male fertility. Her hunch is that gut hormones play a role in fertility, which could one day lead to treatments for infertility. But not yet. While small observational studies suggest that babies born to women using weight-loss drugs seemed healthy, Moffett said, there was far too little safety data for comfort.

Where does that leave us? Weight loss medications are increasingly seen as wonder drugs, able to cut obesity, diabetes and more besides. This immediately benefits individuals, employers, healthcare providers and society — a good thing. But the long-term effects, including on a developing foetus, are unquantified. More targeted studies must be a priority, and clearer risk warnings are needed.

That is especially urgent as so many young women trawl social media platforms for health information and to access online pharmacies. Weight-loss drugs might now be viewed as fixes for two deeply felt aspects of female identity: body image and motherhood. For those desperate for a child, the hashtag #OzempicBabies will not be a red light but a call to action.

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Letters

Equality funds falter when they lack context

The article "Gender equality fund performance disappoints" (ETF Hub, July 8), raises several important points. As a recognised global pioneer in gender lens investing, Women's World Banking Asset Management (WAM) urges and reminds investors to base their decisions on relevant and contextualised data.

As the article points out, not all funds are doing the same (actually, what does "doing the same" mean?) and many focus solely on women in leadership rather than gender

diversity at all levels within an organisation. This, unsurprisingly, does not lead to improving gender equality.

Our data shows a strong positive correlation between client and staff gender diversity and key financial performance indicators, including return on equity and revenue growth. We also observe a positive correlation between women loan officers and outreach to women clients.

A cornerstone of WAM's strategy is the collection and analysis of

gender-disaggregated data. Holding ourselves and our portfolio companies accountable to enhancing access to financial services for low-income women while fostering gender diversity throughout all levels of the employee base yields stronger financial and operational results.

Simply said — to grow business, grow gender diversity and to reach more women, hire more women.

Mary Ellen Iskenderian
President and CEO, Women's World Banking, New York, NY, US

Labour's vague victory undermines its mandate

The stark divergence between Labour's vote share and seat share highlights a key tension for this parliament.

The party minimised details about its intentions for office, practising the "politics of evasion" ("Absence of honesty in UK election will undermine democracy", Opinion, June 24). In so doing the party has not defined the "change" it campaigned for and so has a majority without a mandate.

If the party really does not have plans — and can only share minimal details with the civil service — it risks generating political and policy volatility irrespective of the size of the governing majority in parliament.

Malcolm Gooderham
Senior Partner, Elgin Advisory, London W1, UK

Jitters over 'shadow banks' misconstrue stability risk

The recent article ("Top ECB official sounds alarm on rising risks from shadow banking", Report, July 10) demonstrates that the concept of non-bank financial intermediation is not only unhelpful but also misleading in understanding potential financial system risks. The acronym NBFI, formerly known as shadow banking, wisely groups diverse business models, such as money market funds, insurers, hedge funds, private credit, and private equity funds under one umbrella. This oversimplifies complex financial ecosystems while assuming banking regulation is the pinnacle of financial stability management.

In the article, the European Central Bank's Elizabeth McCaul claims the NBFI sector poses the highest risk to the Eurozone financial stability yet provides little evidence beyond the UK liability-driven investment example. She recalls popular misperceptions about the sector's opacity and lack of regulation. One of the gripes is that the NBFI sector "is outside of the banking supervisory and regulatory perimeter". That makes light of the fact that, today, all financial market entities are regulated and supervised with extensive reporting requirements to their respective sectoral regulators.

Applying bank-centric regulations to non-bank entities is problematic. Banking rules address risks associated with a business model that combines retail deposit-taking, liquidity and maturity transformation, and high leverage. No NBFI entities carry out these activities simultaneously and worrying that these actors are not within the bank regulatory perimeter is like fretting that non-aeroplane vehicles are unsafe because they lack wings, or that solar power plants lack regulation related to nuclear.

Private credit firms, regulated under the EU asset management framework, exemplify this point. They maintain



lower leverage and better align assets and liabilities, eliminating the banklike "run" risks witnessed in recent banking crises. In addition, as our research and the recent IMF report show, private credit market activity is less susceptible to a sudden credit shock than the high-yield bond and bank loan markets.

McCaul dismisses the benefit of moving assets from precarious bank balance sheets funded by flight-prone depositors to those funded by stable, long-term, risk-bearing professional investors. It is difficult to understand how the rise of models that demonstrably generate less financial stability risk per euro invested should be seen as anything but a positive step in delivering a more stable and faster-growing EU economy.

Jiri Krol
Deputy CEO, AIMA, London EC4A, UK

Positives of democracy eclipse its many challenges

Kudos to Janan Ganesh for emphasising the positives of British democracy (Opinion, Life & Arts, FT Weekend, June 29). The problems prevailing today in Britain and much of the western world are challenging, but freedom of speech, expression, worship along with civil and property rights stand out from the stark alternatives afforded to people living under dictatorial regimes.

Parliamentary democracy started in England and is something that we should all be thankful for given the challenges facing the west today. The democratic process is not always organised or perfect, but it provides people with incentives and opportunities that otherwise would not exist. We should rejoice in these facts, in spite of the broad difficulties confronting Britain and other democratic nations.

Christian Teeter
Professor of Business Administration, Mount Saint Mary's University, Los Angeles, CA, US

Jobcentre reform should move beyond benefits

I welcome the news of the new UK work and pension minister's plans for a radical Jobcentre revamp ("Jobcentre to focus on career advice rather than policing benefits", Report, July 11).

At the Big Issue, we have been contacted by hundreds of people who have shared their experiences of proving their benefit eligibility — a harrowing process that's leaving them in extreme distress, more impoverished and even suicidal.

There is a different way possible. For the past two years, we've been building Big Issue Recruit to give marginalised people who face barriers to work the same access to jobs as everyone else. And we have managed to prove not only that we can do it, but that there is both appetite and a market for our approach.

Our person-centred, strengths-based approach has enabled our job coaches to get to know each candidate, develop a tailored journey to becoming work ready and then place them in appropriate roles. Time and time again we see the same barrier in our candidates — a crippling lack of confidence created by years of existing in a benefits system that does not meet their needs.

Every single one of the hundreds of candidates we've worked with has benefited from an increase in wellbeing. We've built their resilience so they can navigate the barriers to employment and find work that will meet their individual needs — work that sticks. A whopping 90 per cent of our candidates are still in their positions one year on.

For every job coach we employ, we support 75 or more people a year back into employment, creating an estimated £1.4m in social value in the first year alone. A model that sounds like bang for taxpayer buck if you ask me.

Katy Wright
Director, Big Issue Recruit, London N5, UK

How a box-ticking exercise could solve funding crisis

The new UK government is going to need a lot of money to pay for its ambitious plans ("How will Reeves run the UK's finances?", Big Read, July 12).

When polled, many people say they would be willing to pay extra tax if it meant the provision of better services.

So how about a voluntary, hypothecated tax? Taxpayers could be asked on their tax returns if they would like to pay an extra rate of tax. Tick a box for how much, which would be hypothecated to a range of listed services — the NHS, schools or whatever. If nothing else, it would be an interesting experiment.

Peter Gorty
Weybridge, Surrey, UK

Bosses must be proactive in training staff to use AI

Valentina Romei's article "AI will widen inequality, IMF warns" (Report, June 18) highlights valid IMF concerns over artificial intelligence, particularly in relation to its impact on work. While it's true that this is a global challenge for all workforces, I would venture that it also presents a monumental opportunity to enhance productivity and quality of work in a way we've never seen before. And I think we will see people asking more and more: "How can I use AI to help me do a better job?"

The key lies in upskilling employees, as well as giving them the tools and resources they need to transition into this next era of work. And the demand for this sort of training will come from employees themselves, as they recognise the need to build AI skills to get ahead.

But that's not to say that organisations should wait for their employees to call for this training with individual requests. With signs of a disparity between how many Gen Zs have used generative AI compared with older generations, this is a challenge that demands immediate attention. To fight against the worrying trend of ageism at work, employees need to act now to build inclusive AI literacy at scale and pace. AI is going to cause ripples throughout not just the working world but wider society, underlying why it's vital there is a three-pronged skilling effort between government, academia and business to proactively tackle this challenge.

Burying our collective heads in the sand won't stop the disruption of AI, but forward-thinking collaboration just might.

Dominic Holmes
Principal Consultant, Cornerstone's Thought Leadership and Advisory Services, London EC2, UK

Ambani wedding frenzy signals India is among elite

I read with interest the article about the Ambani nuptial extravaganza ("Ambani's big rich Indian wedding brings global elite to Mumbai", Report, July 11). The occasion and the extensive global media attention is indicative of India's astronomical rise since the millennium. The film industry, long a bastion of the US, has more and more Indian movies and glamorous actors; cricket, a western invention, is dictated by the former colony and its alluring players. Politically and economically, India has forged equitable ties with powerful nations and its populous diaspora has achieved success across professions.

Hosting the Olympics must be next on the agenda, with a flamboyant opening ceremony to rival an Ambani wedding.

Rajiv Radhakrishnan
London NW8, UK

Correction

● Ken Griffin, founder of hedge fund Citadel, has donated a total of \$25m to the Congressional Leadership Fund and Senate Leadership Fund "Super PACs" in this election cycle, not \$35m as wrongly stated in an article on July 16. The donations included \$10m for the CLF in the second quarter, but not the equivalent figure for the SLF, as wrongly stated in the article.

● QuantumScape's \$130m deal with Volkswagen will give the battery maker about one to two quarters of free cash flow, not months as wrongly stated in an article on July 16.

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Opinion

The doom loop of modern politics

WORLD AFFAIRS

Janan Ganesh



The last time a US president was almost assassinated, most of the rich world, while reviling the act, could hope it was peculiarly American. And so it is worth listing a few of the safety measures employed by British MPs in recent years. Mobile panic alarms. Stab-proof vests. Personal guards. An avoidance of planned events and inessential outings. A national police effort called Operation Bridger, now widened to protect elected representatives beyond parliament. A country where political violence

was rare, at least outside the war-like context of the Troubles, has lost two MPs to murderers since 2016. Candidates in the recent French elections came under assault, too. The German interior minister cites an “escalation of anti-democratic violence”.

Almost everyone deplores such attacks. The problem is, after that, the consensus flakes. The spectrum of behaviour that goes up to, but not over, the line of violence inspires less concern or even interest than it should. The harassment of candidates in Britain’s election has been met with a sinister breeziness. To be clear, then: the anti-politician culture is wrong in and of itself. But more than that, it is self-reinforcing.

This is the doom loop of modern politics: it is an ever more unpleasant line of work, which means fewer good people choose it, which depletes the quality of public life — that is, governance itself and the comportment of those responsi-

ble for it — which in turn makes voters more hostile to politicians. And back around again.

There is no separating the question of, say, how a nation of more than 330mn people comes to field an 81-year-old against a 78-year-old in a presidential race, from the threats to public officials

It is an ever more unpleasant line of work, which means fewer good people choose it

and general arduousness of “frontline politics”. (What a martial connotation that phrase now has.) Think there should be better people in politics? Well, after you, reader.

The point applies even more in that vacuum of deference we call the UK. The

speed with which Rishi Sunak, who might have made a good prime minister with another decade’s seasoning, entered 11 and then 10 Downing Street, testifies to his drive, yes, but also to the awesome dreadfulness of the competition.

Actual violence is worse than intimidation, which is worse than verbal abuse, which is worse than invasive attention, which is worse than the reflexive, almost rote-learned cynicism that is now the routine lot of the politician in front of a public audience (“Why should I believe a word you say?” etc). But all have the same effect. All detestable individuals — whom we might define as those with good career options elsewhere — or even just well-adjusted, non-masochistic ones. The danger is that politics becomes a sort of clearing house for people who wouldn’t attain similar status in another field or who crave attention, however savage. It is tempting here to invert the over-quoted

Groucho Marx line about clubs and members. Parliament shouldn’t accept anyone who would consider joining it.

This argument will always incur the complaint of romanticising the past. There is no objective measure of the “quality” of politicians, let alone one that conclusively shows that it has worsened. Nor is it an axiom that a person of high general competence will thrive in the peculiar realm of politics. Robert McNamara was a jewel of his American generation — Harvard Business School star, Ford Motor Company whizz — and a tragically fumbling Pentagon chief during the Vietnam war. John Major’s UK cabinet of the 1990s was stuffed with people who would have (and often had) flourished in academic, entrepreneurial or professional life. Voters hated it.

Over a long enough period, though, a nation is better — rather than worse — run if people with other career opportunities spurn them for politics. The

obsessive will always volunteer. The apathetic never will. It is the marginal case, the waverer who has a life of prosperous anonymity open to them, who must be enticed.

It is natural to attribute the anti-politician mood to governmental failures: the botched wars, the misregulation of banks, the British state’s formidable achievement of rising taxes and deteriorating outcomes. There isn’t anything like the same curiosity about the source of those failures. What if the causal link runs the other way? What if an inept state is the ultimate fruit of anti-politics? Is Congress the least trusted institution in American surveys because it is so bad, or so bad because it is mistrusted, and therefore daunting to those who might otherwise enter and elevate it? Deride the political class. It’s a right. But the joke, in the end, is on us.

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Is Germany the sick man of Europe again?

Martin Wolf Economics

The national hostility to debt is its folly or hypocrisy. It should use more of its surplus savings at home



Germany is struggling. It was the only G7 economy to shrink last year and is set to be the group’s slowest-growing economy again this year.” These are the opening words of a blog by members of the IMF’s European Department published on March 27. According to the IMF, its GDP per head shrank 1 per cent between 2019 and 2023. This was the 34th-worst outcome out of 41 high-income economies. Of G7 economies, only Canada did worse. Even the UK, with a decline of 0.2 per cent, and France, with a small rise of 0.4 per cent, did better. The US rise of 6 per cent was in another league.

If Germany has recently been a sick man, is this a temporary or a chronic condition? There are good reasons for arguing it is mainly the former. As the blog notes, Germany’s terms of trade deteriorated hugely after Russia’s invasion of Ukraine, as the price of natural gas soared. But the terms of trade have returned to 2018 levels as the price of natural gas fell once again. The concomitant spike in inflation has reversed and ECB monetary policy has started to ease. Finally, the post-pandemic rebalancing of global demand from manufactured goods towards services was also unfavourable for Germany’s economy. But this, too, is set to reverse.

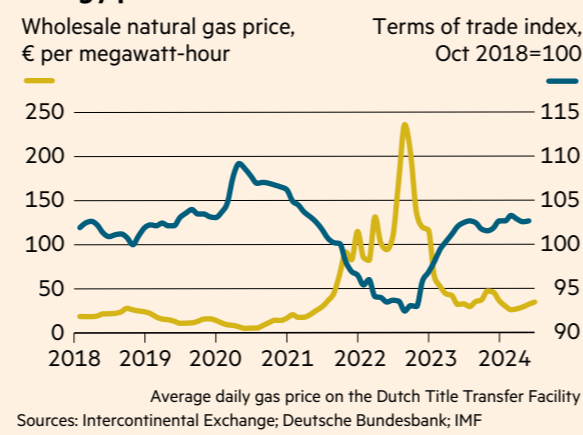
The IMF adds that concerns for the longer-term future of German industry are exaggerated. Yes, energy-intensive industries have contracted, but they only account for 4 per cent of the econ-

omy. Automobile production, by contrast, rose 11 per cent in 2023, while electric vehicle exports rose 60 per cent. Moreover, it adds, “manufacturing value-added has remained steady even as industrial production has fallen”.

According to the July Consensus Forecasts, German growth is expected to be a mere 0.2 per cent in 2024. But it is forecast to reach 1.1 per cent next year. Yet if that is to be the new normal, it is rather a poor one. It is these long-run trends rather than recent shocks that are the big issue. The German economy suffers from five adverse trends.

First, the growth of Germany’s labour force (people aged 15-64) is forecast to fall by 0.66 percentage points between 2025 and 2029, relative to growth between 2019 and 2023. This is the biggest such fall in the G7. Second, the share of gross public investment in GDP, which was 2.5 per cent from 2018 to 2022, was the lowest among significant high-income countries, apart from Spain. It was even below the UK’s 3 per cent. Third, Germany’s GDP per head (at purchasing power parity) declined from 89 per cent of US levels in 2017 to 80 per cent in 2023. This was the largest relative decline of any G7 member over that period. Fourth, Germany plays an insignificant role in the digital economy. Since it is Europe’s largest economy, that matters for the EU as a whole, too. Finally, the world is moving into an era of fragmentation. This will be significant for Germany’s relatively trade-dependent economy. (See charts.)

Germany’s terms of trade shock from higher energy prices is over

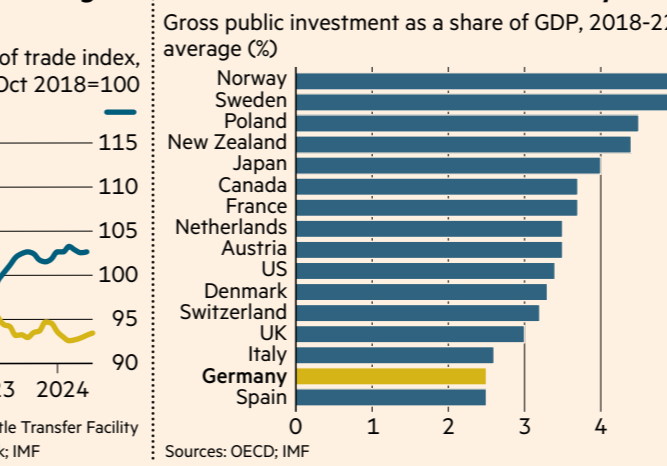


These are significant headwinds, all of which need to be considered and addressed. But none of them will be particularly surprising. Openness to immigration, reductions in red tape and creation of a European single market, with a dynamic and integrated capital market union, are all parts of the answer.

Yet there is another feature that is almost never viewed as a problem in “respectable circles” in Germany, or elsewhere: its huge structural savings surpluses, which have, of course,

Long-run trends rather than recent shocks are the big issue for the economy

Public investment is extraordinarily low

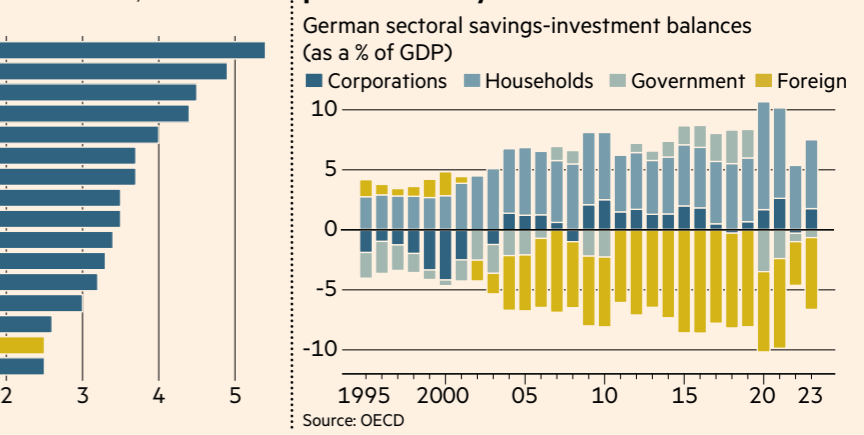


financed its huge current account surpluses. Many German economists view these as proof of Germany’s international competitiveness and insist that everybody else, especially in the Eurozone, should follow its example. This is nonsense.

The first reason is that everybody else cannot follow its example. Globally, savings and investment have to match. So, if one economy saves far more than it invests, others have to do the reverse. This will then be shown in its accumulation of financial claims on the deficit countries, predominantly as debt.

This German hostility to debt is folly or, worse, hypocrisy. Its surpluses must be balanced by others’ deficits and debts. Moreover, calls for Eurozone members to reduce their fiscal deficits will only work well if the current

Private savings surplus has been predominantly invested abroad



account of the euro area goes even more into surplus or private sectors in other Eurozone members (France, for example) are forced into deficit. The danger is that such adjustments will be viewed as “beggar-my-neighbour” recessions caused by Germany. That happened to the Eurozone with almost lethal ferocity in the 2010s. It must not do so again, especially given today’s febrile politics.

The second reason is that there is a simple domestic solution. Germany should use more of its surplus savings at home. The obvious way to do so is to raise its ultra-low level of public investment by letting the German government, one of the most creditworthy in the world, borrow from the people who trust it most, namely the German public, in order to invest more at home.

A chapter on “Public Investment in

Germany”, in a recent book about European public investment, notes that net public investment has been close to zero since the beginning of this century. Thus, the ratio of public capital to GDP has been consistently falling. It makes no sense for a country with such vast surplus savings in its private sector not to use them at home, thereby generating both a stronger supply side and the demand that Germany and the Eurozone will need.

Germany’s short-term problems will pass. Its longer-term ones are more challenging. But the most unnecessary one is its reluctance to fund needed public investment at home. The time to repeal the absurd “debt brake” in the constitution is now.

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MARKETS

Katie Martin



In markets, the Trump Trade is on. It is just a little lost and very messy. For months, the chance of Donald Trump finding his way back into the White House has been the biggest potential jolt to markets that no one wants to talk about. When asked about it, professional investors generally mumble something vague about taxes and spending. “Well the fiscal programmes are roughly the same as Joe Biden’s so we don’t see much impact either way and, you know, historically, elections don’t matter that much.” That’s the script.

This has always been odd. Politics wonks are convinced this is the most consequential and binary election of our time, and investors are saying it doesn’t really matter who wins.

Certainly, neither candidate is banging the drum for shrinking deficits. Still, investors’ fence-sitting, driven in part, I suspect, by a reluctance to upset the vengeful Republican candidate in case he does succeed, is now becoming harder — as Trump’s economic policy platform becomes clearer and traders and investors view the ghastly attempt on his life as a boost to his chances of electoral success.

The biggest point of consensus among investors is that Trump 2.0 is inflationary. A huge increase in trade tariffs, a volley of tax cuts for businesses and wealthy individuals, deregulation and a tough crackdown on immigration are a clear recipe for higher stocks, sure, but also for higher inflation, which is bad for

bond prices. Stocks are sticking to this script, continuing to motor higher despite all the usual worries about already lofty valuations. But the impact of the inflation story is much more tangled.

Take, for example, market moves on Monday — the first trading day after the

The impact of a second possible turn in the White House is likely to be starker outside the US

assassination attempt. Long-term bonds initially dipped in price, but the dip failed to stick. Quite the opposite, in fact. Ten- and two-year bond yields are sliding to their lowest point since March as prices and demand pick up.

This gets to the heart of the many

contradictions of a potential second Trump presidency that make it so hard for investors to deal with. The inflation threat is real but it clashes with data showing that, for now, price rises are in retreat, and it clashes with the populist stance that Trump has fully baked in with his pick of JD Vance as his vice-presidential running mate.

The signal from that America-first selection is grim for Ukraine. Given Vance’s previous pronouncements on that conflict, it suggests support for its defence will wither away, and fast. It also suggests prolonged chest-beating in the direction of China, which Vance described in an interview on Monday as the world’s biggest threat to the US. It is little surprise, then, that investors should seek safety in the form of US government bonds — the go-to asset in times of geopolitical stress. Similarly, Vance has declared a fondness for a weak dollar but a fresh wave of inflation

is, all things being equal, dollar-positive. So, check mate. The Trump Trade becomes, as Rabobank put it in a recent note, the “Chump Trade”, consistently tripping up anyone seeking a nice clean narrative.

Two things, however, are clear. First, the impact of a second Trump presidency — which, we should remember, is still not a certainty — is likely to be starker in markets outside the US. For many global investors, China is already uninvestable, but it will stay that way potentially for years if a successful Trump and Vance stick to their line. And the global preference for US stocks over Europe is likely to extend, especially if Trump withdraws support both for Ukraine and for Nato.

Second, investors have to consider how they would respond if Trump crossed the reddest of red lines in markets and interfered with the independence of the Federal Reserve. “If he goes

there, we will have uncertainty and a riot in markets,” said Michael Strobaek, chief investment officer at private bank Lombard Odier. Institutional credibility is difficult to quantify and to price. It is, as Salman Ahmed, global head of macro at Fidelity International put it, “a state of mind”. But once it evaporates, “bond vigilantes wake up”.

How many slivers of a percentage point of bond yields is a Maga Fed worth? How would it balance out against a likely hunt for safety among nervy fund managers? Long term, these are more consequential questions than how much further US stocks can climb if Trump cuts corporate taxes.

Alarming, investors know they do not know the answers. Worse, they know there’s only one way to find out. Sitting on the fence until then might in fact be the best strategy.

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Investors grapple with the Trump trade



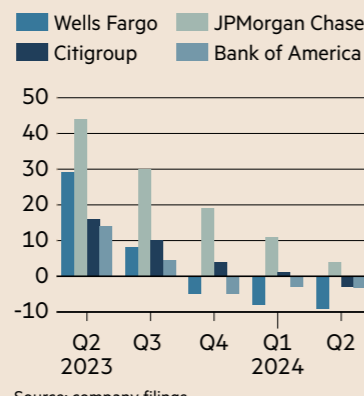
Benjamin Parkin
India moves to rein in foreign tech groups — with a light touch
INSIDE BUSINESS

Main Street banks suffer as US savers balk at Fed's low rates



Net interest income growth goes into reverse

Quarterly year-on-year change (%)



US savers are finally wising up. Tired of the paltry interest rates they are getting on their checking and savings accounts, more Americans are moving their cash into higher-yield products, including certificate of deposit and money market funds. Some of these can pay interest rates of 5 per cent or higher, compared with an average of 0.08 per cent on a traditional interest checking account.

That's bad news for Main Street banks, the biggest of which generated 60-78 per cent of their total revenue from net interest income (NII) last year.

Between March 2022 and July 2023, the Federal Reserve raised its benchmark interest rate 11 times to a target range of 5.25-5.5 per cent, a two-decade high. While big banks were quick to increase credit card and mortgage rates, they were able to drag their feet in passing on the rises to savings customers. For that, they can thank consumer complacency; most people find it a hassle to switch.

That inertia helped the four biggest US banks — JPMorgan Chase, Bank of America, Wells Fargo and Citigroup — deliver more than \$253bn in combined NII in 2023, a record high.

But it is a feat that is unlikely to be repeated if second-quarter earnings

are anything to go by. The longer the Fed keeps rates on hold, the more incentive savers have to move their money. Assets in US money market funds rose to a record \$6.15tn earlier this month, according to the Investment Company Institute.

Banks are having to pay much higher rates to defend their deposit base, squeezing net interest margins.

At Wells, NII for the June quarter fell 9 per cent year on year to \$11.9bn, the lowest level in two years. Citi and BofA both posted a 3 per cent decline. JPMorgan managed to buck the trend with a 4 per cent rise, but even that is a slowdown from previous quarters. For now, a Wall Street revival in investment banking and trading is helping Citi, JPMorgan and BofA offset some of the slowdown in NII growth. This should continue in the third quarter as companies look to do deals before November's high-stakes US presidential election.

Figuring out when NII will hit its trough will be tough. Shares in the four banks are up 29-43 per cent over the past 12 months.

With the exception of Citi, all are trading above book value.

That is despite concerns over higher expenses, deteriorating credit quality and tepid loan growth. Expect the stocks to move sideways until the Fed starts cutting rates again.

Thailand's tourism rebound is doing little to boost its stock market

Thailand has long been a favourite holiday destination for global tourists.

After a years-long slump, in 2024 foreigners have made a significant return, boosting the local tourism industry, which accounts for nearly a fifth of Thailand's GDP. But the return of foreign visitors to the country will not be enough to boost investor sentiment towards local stocks.

On the surface, Thailand's economy is doing well. The country recorded 17.5mn foreign tourists in the first half of this year, according to official data, up more than a third from last year. These visitors have contributed more than \$22bn in tourism revenue. That growth is expected to accelerate further for the rest of the year.

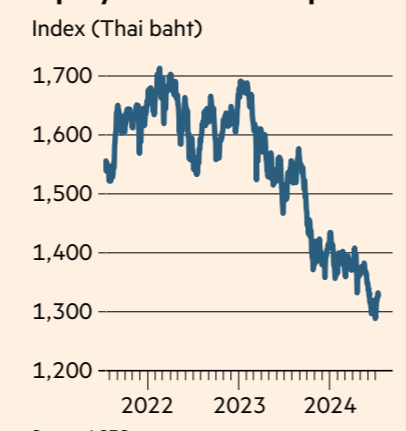
Meanwhile, the country may become an unexpected beneficiary of US-China tariff wars. Chinese carmaker BYD has opened its first electric-vehicle plant in Thailand this month. As more production is moved to Thailand, local suppliers should enjoy the benefit.

Yet the outlook for Thai equities is bleaker. Stocks have fallen for six straight quarters as of the second quarter. The benchmark Set index is down nearly a fifth from June last year.

Even shares of top travel-related groups including Airports of Thailand, which runs 10 international airports in the country, and hotel restaurant group Central Plaza Hotel PCL are down this year despite growing sales.

For foreign investors, these falls are

Thailand's benchmark equity index has slumped



compounded when combined with the weak currency against the US dollar.

Uncertainty from the country's escalating political unrest is one of the key reasons for the weakness. Senators have filed a petition to remove the prime minister from his post this year.

Meanwhile, a battle between the central bank and the government is worsening. Bangkok, which needs to increase social spending and public investments, is agitating to boost growth via rate cuts, while the central bank has continued to push back.

Thailand has lagged behind regional peers in the past decade with average economic growth below 2 per cent. It is also one of the fastest-ageing countries in the world, posing a long-term challenge to its growth.

The Set index, which has a price-to-earnings ratio of 17 times, is still valued higher than peers. Investors can still find better value elsewhere.

Ocado's long-term transformation story still involves a leap of faith

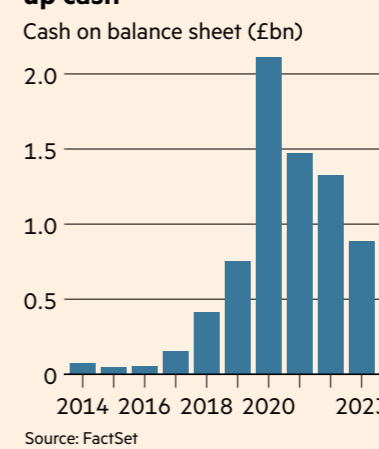
Technology winner or cash sinkhole? Fourteen years on from its London IPO — and nearly a quarter of a century since it was founded — opinion on UK retail technology group Ocado swings wildly between two polarised camps.

Take its share price performance this week alone: on Monday the stock fell 11 per cent after one of the remaining bullish analysts, Bernstein's William Woods, joined the sceptics.

One day later the shares regained most of their losses on decent first-half results. Short interest plays its part. But the only thing Ocado consistently delivers is uncertainty.

It is now a cliché to say that Ocado promises jam tomorrow. The group, which started as an online grocer, bets its future on selling software and robots to legacy supermarkets. This transformation has yet to shake off its investment reputation: Ocado's. The promise of pre-tax profits is about five years off; an end to its incredible cash burn somewhat closer. The stock is down more than 85 per cent since its pandemic-era high, prompting ejection from the blue-chip FTSE 100. True, there were positives in Ocado's

How Ocado has been eating up cash



half-year results. Chief executive Tim Steiner expects full-year cash outflows to be £150mn lower than in 2023, a £50mn improvement on previous guidance. A good chunk of that, though, is down to lower than expected capital expenditure — in part because Canadian grocer Sobeys paused plans to open another robotic warehouse.

Ocado earns fees from supermarkets once the warehouses are operational.

Delayed capex might help with cash burn in the short term but it also pushes out expected revenues. There have been delays to the rollout of warehouses for other key customers.

Ocado had cash and cash equivalents of £747mn at the half-year end — paltry compared with the £2.1bn that it was sitting on at the end of 2020 following one of its several fundraisings in recent years.

Yet Steiner insisted Ocado should be able to avoid another equity raising, even though it must refinance a total £1.45bn of bonds — at much higher interest rates — which mature between December 2025 and January 2027.

He is also sticking to a target to start generating positive cash flow in the second half of 2026.

The stock's volatility reflects a lack of belief in this long-term story: many investors don't believe that Ocado will reach the cash target, or its medium-term profit guidance, given the slower rollout of warehouses and the automated modules they contain.

Refinancing its first £600mn bond could settle some nerves. More cost-cutting might help. But, after a decade and a half on the stock market, backing Ocado's metamorphosis looks more of a leap of faith than ever.

Sceptical investors will decide fate of London's dual-class listings rejig

One-for-all and all-for-one. Until recently the London Stock Exchange shared the motto of the Musketeers. Specifically, one share-one vote was required for admission to the LSE's "premium" listing segment and for eligibility to FTSE indices.

That started to change when exceptions for dual-class shares in premium listings were introduced in 2021. But the FCA's latest listings rejig takes things even further as it tries to revitalise the London market. The evidence suggests that institutional investors may still prove an obstacle.

The FCA's changes follow a wave of European deregulation as exchanges compete for listing. London hopes that a softer stance on dual-class shares will attract more technology and founder-led businesses.

The US demonstrates the growing popularity of dual-class structures. Last year, about 12 per cent of Russell 1000 companies had them, up from about 9 per cent a decade earlier. In Sweden, the most successful European market at attracting new companies in the past decade, about half of groups have dual-class shares.

Evidence on how groups with dual-class shares perform is not clear cut. It is difficult to argue they have hindered the performance of Meta and Alphabet.

An RBC analysis found that Russell 1000 companies with dual-class shares have underperformed since 2011 and tend to exhibit greater volatility.

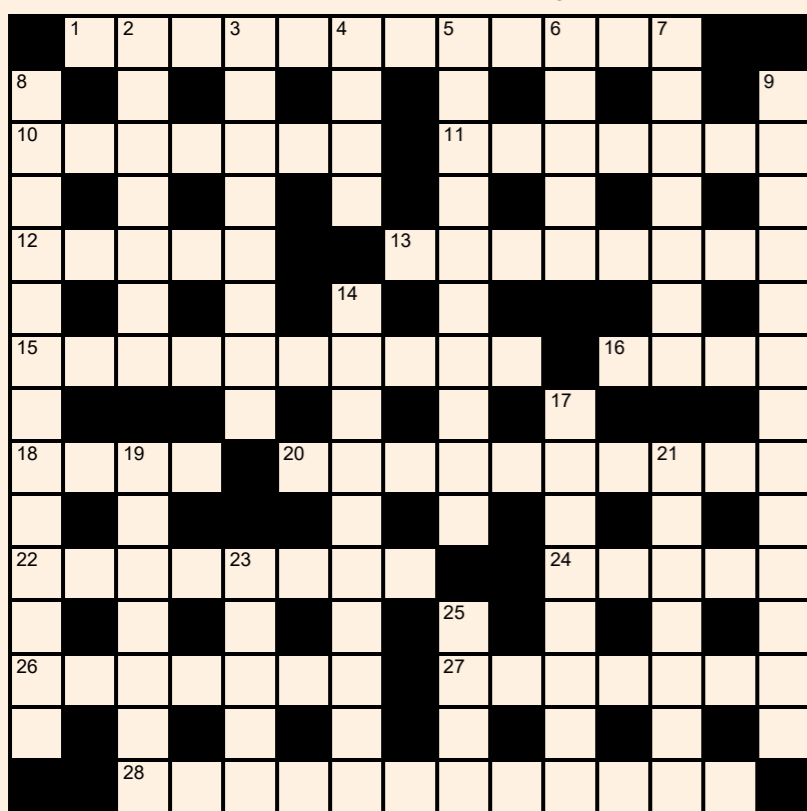
London's limited crop of FTSE dual-class stocks: THG, Deliveroo, Wise, S4C and Oxford Nanopore, all perform poorly. Correlation is not causation. But London's institutional investors have traditionally been "extremely resistant" to dual-class structures, notes lawyer Jorge Brito Pereira.

It is not clear that City reformers promoting ever more liberal rules have a coalition behind them: the FCA noted a "very strong preference" from investors and investors groups for more restrictions on dual-class share structures. Rule changes might mean more entrepreneurs consider bringing their companies to London.

They will only stay, though, if enough locals are eager to buy their shares.

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ACROSS

- Trend-chasing youths, good sorts, taking MDMA by north-eastern counter (5-7)
- Former state's EU broadcast about accepting Turkey (7)
- Lecher swallows bad Provençal sauce (7)
- At intervals, spilit international conductor (5)
- Tiny hole cut in pink material (8)
- Des, I regret, unfortunately recorded (10)
- Office correspondence (4)
- Snubbed powerful argument (4)
- Tory statesman's outpouring not withdrawn (10)
- Guide beginning in temple charges very many rupees (8)
- Contribution from president getting home first (5)
- Setter's opening held back following end of heat wave (7)
- Elite graduate smashed oral examination without having prepared material (7)
- One paid to stick to the lines on A4? (6-6)

DOWN

- Intermittently repair power loop in receiver block? (7)
- Plants specialist agent on island, Stromboli, after evacuation (8)
- Attend pound (4)
- Tell Rob about cracking manure for mushroom (10)
- Fit climax to blue joke (5)
- Battle of New Orleans (7)
- Military abuse unexpectedly shows capacity to be valued (13)
- Separating glued base metal and silver-plated can (13)
- Dope on set essentially helping production (10)
- National Gallery initially upset with Ionian painter (8)
- Supporting Queen, Yes follows American 80s group (7)
- Part of ship kills fish (7)
- Jargon is absent from information sent over (5)
- Regularly considered proof, and way of approach (4)

Solution 17,789

THERMOSTAT HARP
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 RIDER MARGARINE
 NEIIDGARD
 PRATTLER NINJA
 ADAOET
 PROSPER POTABLE
 OWLIER
 LANTERN SECULAR
 ITRESS CHAPLAIN
 IDALWACV
 CLIENTELE PRONE
 ACETAESSN
 LATEBRIDGEHEAD

JOTTER PAD



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