FINANCIAL TIMES

THURSDAY 28 JULY 2016 — WORLD BUSINESS NEWSPAPER — EUROPE

Trump: the movie
The US election feels more like a cold war thriller — ROULA KHALAF, PAGE 8

Human failing
Yahoo got stuck on the wrong side of the technology divide — JOHN GAPPER, PAGE 9

Crackdown
How President Xi has silenced Chinese dissent — BIG READ, PAGE 7

Pope warns of world 'war' on visit to Poland

Pope Francis has warned that the world is "at war" following a spate of terror attacks, including this week's murder of an 85-year-old French priest in church. The pope stressed that he was not talking about a war of religion but rather a war "of interests, for money, resources" in a world that had "lost peace".

The pope was speaking as he travelled to Poland to meet hundreds of thousands of young pilgrims. Security has been tightened for his visit since the knife attack on the Catholic priest in Normandy.

More than 39,000 police and other security officers will guard open air masses as well as a visit to the site of the former German Nazi concentration camp of Auschwitz-Birkenau.

Pope Francis salutes enthusiastic crowds on his way to the royal Wawel Castle in Krakow — Czarek Sokolowski/AP Photo

Briefing

▸ Deutsche Bank in US settlement talks
The German bank has said it has begun talks with the US justice department over its probe into the lender's mortgage-backed securities, as it reported a slump in second-quarter profits.— PAGE 11

▸ Questions swirl around priest's killing
The killing of a priest in Normandy on Tuesday has turned a spotlight on the lack of co-ordination between France's intelligence services and its justice system.— PAGE 4; JONATHAN FENBY, PAGE 9

▸ US lawsuit over Malaysia cash
The justice department has alleged that $1bn of Malaysian public cash meant for 1MDB's venture with PetroSaudi was siphoned off to a businessman, who splurged millions on art and parties.— PAGE 3

▸ Brussels gives Warsaw court ultimatum
Poland has been told to end political interference in its highest court in three months or face sanctions, after Brussels accused Warsaw of ignoring fears over democracy.— PAGE 4

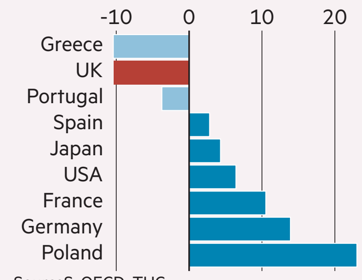
▸ Japan 'helicopter' hopes to be dashed
Bank of Japan governor Haruhiko Kuroda is poised to rule out market hopes of "helicopter money" tomorrow but according to surveys up to 80 per cent of analysts expect some form of easing.— PAGE 5

▸ Antibiotic advance under German noses
German researchers have discovered that a bug growing inside the human nose could be a source of much-needed new antibiotics that can kill bacteria which have developed resistance to drugs.— PAGE 2

▸ Indian child labour laws under attack
Critics have attacked India's new child labour laws which ostensibly impose the first ban on employing children under 14 but still permit them to work in "family-based" enterprises after school.— PAGE 5

Datawatch

Real wages since the financial crisis
% change Q4 2007 to Q4 2014



SourceS: OECD; TUC

UK real wages fell 10.4 per cent between 2007 and the end of 2015, the most severe fall in the OECD and similar to the drop in Greece, according to TUC analysis. Apart from Portugal, all other OECD countries saw real wages increase

Fed keeps door open to prospect of second rate rise by end of year

● Fed funds target range left unchanged ● Short term risks to economy seen diminishing

SAM FLEMING — WASHINGTON

The Federal Reserve yesterday held open the prospect of a second increase in interest rates later this year as it said that near-term risks to the US economy had diminished and the job market recovery had regained momentum.

The Federal Open Market Committee kept the target range for the federal funds rate at 0.25 per cent to 0.5 per cent at the end of its latest two-day meeting, leaving the rate where it has been since the Fed lifted it by a quarter point from near-zero levels in December.

It has three scheduled meetings left this year in which it could move rates — in September, November and December and its words left open the chance that it could act as soon as September. Complicating its deliberations is the uncertainty of the US presidential election outcome in November, which could weigh on business confidence.

The US central bank signalled that some of the worries that hung over its meeting in June have since abated, notably the prospect of a severe blow to global markets stemming from the UK's referendum vote to leave the EU.

While it did not explicitly refer to the Brexit vote, the committee said: "Near-term risks to the economic outlook have diminished."

Rob Carnell, chief international economist at ING, said: "Judging by the text of the accompanying statement to the Fed decision, it looks as if they are trying to prepare markets for a hike far sooner than markets had been expecting."

However, the Fed also maintained that it remained on guard for renewed turbulence in markets or world economies, suggesting it would continue to tread carefully before considering a second rate rise. "The committee continues to closely monitor inflation indicators and global economic and financial developments," it said in a statement.

The Fed last month pared back its interest-rate forecasts as it assessed foreign hazards including the prospect of a UK EU exit vote, as well as subdued US jobs numbers. Since then markets have rebounded, reducing some of the concerns about the knock-on effects of the Brexit vote outside Europe.

The International Monetary Fund this month trimmed its world growth forecasts because the Brexit vote has caused a "substantial" increase in economic, political and institutional uncertainty. But the fund left its forecast for US growth next year unchanged at 2.5 per cent while paring its 2016 outlook.

> Worries that hung over the Fed in June have abated, notably those from the UK's Brexit vote

A sharp slowdown in payroll growth heavily influenced the Fed's June meeting, but since then there has been a bounceback in hiring, with payrolls growing by 287,000 in June, at least 100,000 more than had been forecast by analysts.

In its statement yesterday, the Fed also highlighted strong growth in household spending — the key driver of the US economic recovery. Esther George, the hawkish president of the Kansas City Fed, renewed her call for an immediate rate increase, but the rest of the FOMC voted for rates to remain unchanged.

Apple looks to the future on the road and the box

Analysis ▸ PAGE 13

Austria	€3.60	Luxembourg	€3.60
Bahrain	Din1.7	Macedonia	Den220
Belgium	€3.60	Malta	€3.50
Bulgaria	Lev7.50	Morocco	Dh43
Croatia	Kn27.50	Netherlands	€3.60
Cyprus	€3.50	Norway	NKr35
Czech Rep	Kc100	Oman	OR1.50
Denmark	DKr32	Pakistan	Rupee 280
Egypt	E£20	Poland	Zl 18
Finland	€4.10	Portugal	€3.50
France	€3.60	Qatar	QR15
Germany	€3.60	Romania	Ron17
Gibraltar	£2.70	Russia	€5.00
Greece	€3.50	Serbia	NewD420
Hungary	Ft1090	Slovak Rep	€3.60
India	Rup195	Slovenia	€3.50
Italy	€3.50	Spain	€3.50
Kazakhstan	US$5.50	Sweden	SKr37
Kenya	Kshs300	Switzerland	SFr5.90
Latvia	€6.99	Tunisia	Din7.50
Lebanon	LBP7500	Turkey	TL10
Lithuania	€4.30	UAE	Dh15.00

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No: 39,227 ★

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Brexit insurance offers peace of mind to expat executives fearing border blues

OLIVER RALPH — LONDON

European executives in the UK, and their EU-based British counterparts, who are worried about their fate when the country leaves the bloc are being offered "Brexit insurance".

AIG, the US-based insurer, will this week launch an add-on to its Directors & Officers liability coverage that will include various costs associated with Brexit to its insurance.

The new terms include help for EU nationals wanting to become permanent residents in the UK. If their applications are rejected, AIG will cover the costs of a legal challenge. It will also cover the legal costs of a challenge to a repatriation order and, if unsuccessful, will also pay for repatriation costs.

The cover will apply the same way to UK nationals living in the EU.

"While the outcome of the discussions between the UK and the EU are unknown, this addition to existing cover, which will be implemented at no additional cost, will give our clients peace of mind during a period of potential change," said Anthony Baldwin, chief executive of AIG's UK and European businesses.

The post-Brexit status of EU nationals living in the UK is still unclear.

During her campaign for leadership of the Conservative party, Theresa May initially said EU citizens would be "part of the negotiation" on Brexit, although she later softened her stance.

Foreign secretary Philip Hammond this month called for a quick resolution to questions over what will happen to EU citizens living in the UK and British citizens living in the EU.

Nevertheless, AIG said some EU expats were already seeking permanent residency in the UK so they could continue to live in the country, regardless of the outcome of talks between Brussels and Westminster.

Since the referendum last month, the insurance industry has been trying to work out how to contain the potential damage that the UK's exit from the EU could cause them.

Increasingly, though, the industry is also seeking to turn the risks that Brexit poses into a business opportunity.

"It generates complexity . . . and as a broker it is our role to support [clients] in this," said Nicolas Aubert, head of broker Willis Towers Watson's UK business at an event organised by trade publication Insurance Day this week.

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Editorial Comment page 8
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World Markets

STOCK MARKETS

	Jul 27	prev	%chg
S&P 500	2163.12	2169.18	-0.28
Nasdaq Composite	5129.70	5110.05	0.38
Dow Jones Ind	18449.19	18473.75	-0.13
FTSEurofirst 300	1351.75	1346.96	0.36
Euro Stoxx 50	2998.29	2978.90	0.65
FTSE 100	6750.43	6724.03	0.39
FTSE All-Share	3663.95	3644.50	0.53
CAC 40	4446.96	4394.77	1.19
Xetra Dax	10319.55	10247.76	0.70
Nikkei	16664.82	16383.04	1.72
Hang Seng	22218.99	22129.73	0.40
FTSE All World $	272.31	272.42	-0.04

CURRENCIES

	Jul 27	prev		Jul 27	prev
$ per €	1.099	1.099	€ per $	0.910	0.910
$ per £	1.312	1.312	£ per $	0.763	0.762
£ per €	0.838	0.838	€ per £	1.193	1.194
¥ per $	105.650	104.645	¥ per €	116.104	114.948
¥ per £	138.556	137.257	£ index	79.595	79.695
€ index	88.343	88.378	$ index	101.244	101.715
SFr per €	1.092	1.090	SFr per £	1.303	1.302

COMMODITIES

	Jul 27	prev	%chg
Oil WTI $	42.02	42.92	-2.10
Oil Brent $	43.76	44.87	-2.47
Gold $	1329.00	1323.00	0.45

INTEREST RATES

	price	yield	chg
US Gov 10 yr	100.77	1.54	-0.02
UK Gov 10 yr	106.14	0.86	-0.08
Ger Gov 10 yr	106.17	-0.14	0.00
Jpn Gov 10 yr	103.64	-0.25	0.00
US Gov 30 yr	105.34	2.25	-0.03
Ger Gov 2 yr	103.22	-0.67	0.00
	price	prev	chg
Fed Funds Eff	0.38	0.37	0.01
US 3m Bills	0.31	0.32	-0.01
Euro Libor 3m	-0.30	-0.30	0.00
UK 3m	0.51	0.52	-0.01

Prices are latest for edition — Data provided by Morningstar

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INTERNATIONAL

Clinton faces uphill task to steer Democrats towards victory

Presidential nominee must inspire widespread trust if she is to outpoll her Republican rival

COURTNEY WEAVER AND DEMETRI SEVASTOPULO — PHILADELPHIA

When Hillary Clinton takes the stage of the Democratic convention tonight, she will face an audience filled with some who have booed her name, cheered her husband and may still be on the fence about her. The question is how she can bring them — and the rest of the Democratic party — together.

A public figure for more than two-and-a-half decades, Mrs Clinton needs to cast herself in a new light. She will reach out to more progressive members of the party who supported Bernie Sanders and reassure liberals that she will stick with them on issues such as trade and Wall Street reforms.

More importantly she will have to do more to build her trustworthiness score among the voters who share many of her beliefs but are still not in her corner.

On the eve of the convention, poll numbers showed that Mrs Clinton continued to be viewed negatively by most voters, with favourability numbers neck-and-neck or sometimes worse than Donald Trump's. According to CNN, 43 per cent of registered voters have a favourable view of Mr Trump, against only 39 per cent for Mrs Clinton, while a Gallup poll found gave both candidates favourability ratings of just 37 per cent.

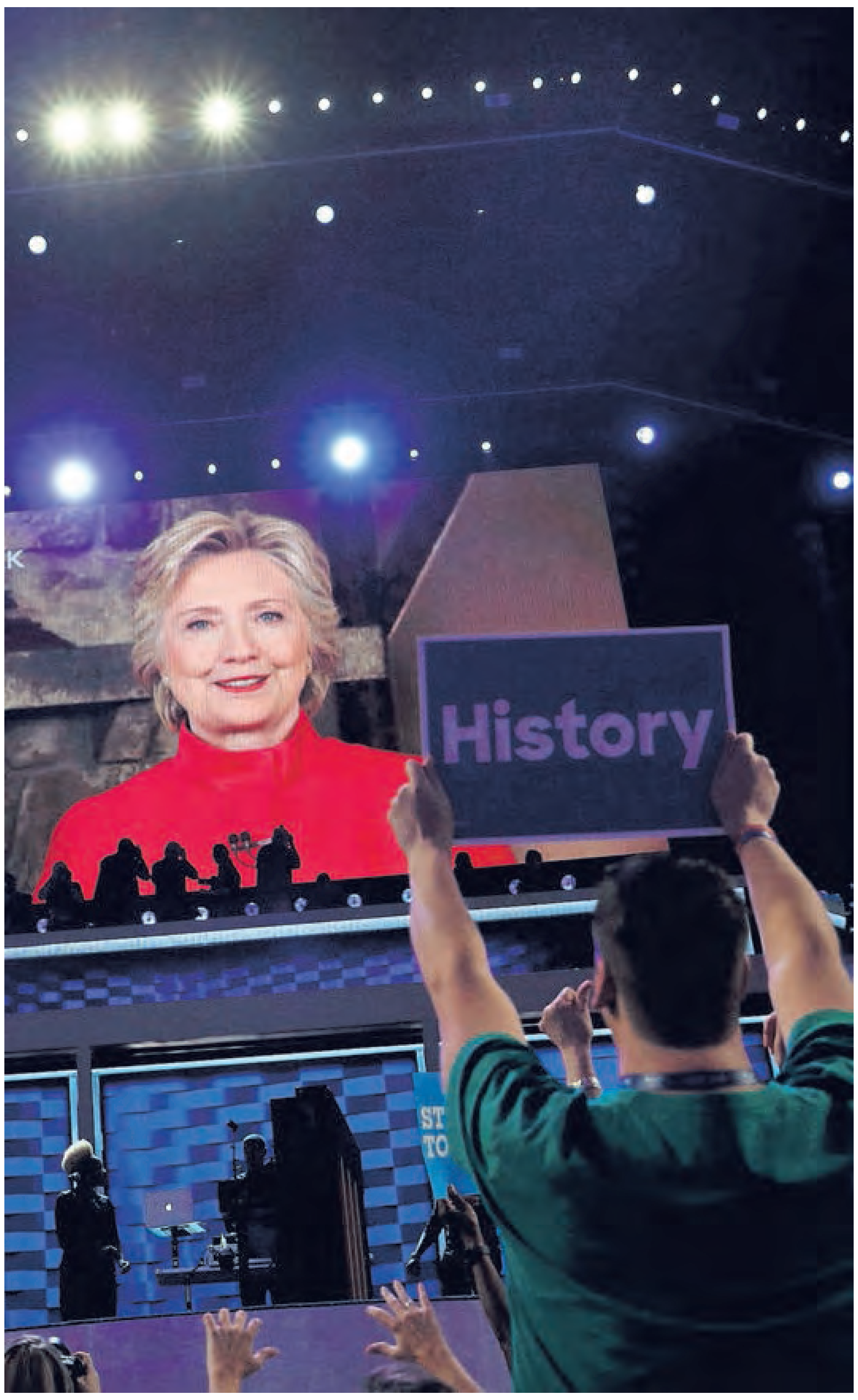
Yesterday Joe Biden, vice-president, admitted that Mrs Clinton and the Democratic party generally were having trouble connecting with white working-class Americans in a way that Mr Trump was not. "I think the Democratic party overall hasn't spoken enough to those voters," he told MSNBC's *Morning Joe*.

Others point to a gap in enthusiasm for Mrs Clinton among important parts of the Democratic base.

Jill Dunham, a project manager from Michigan and a Sanders supporter, said that even though she ultimately planned to cast a vote for Mrs Clinton, she had trouble envisioning herself getting behind the nominee. "The problem is that we need to do more than vote for her. We need to go out and knock on doors and get out the vote and persuade. I can't do that if my heart can't get there."

On Tuesday Bill Clinton tried to present a more personal side of his wife and their courtship, and to contextualise her steely determination.

"In the spring of 1971 I met a girl," he began, before going on to chronicle Mrs Clinton's achievements. "She's insatiably curious, she's a natural leader, she's a good organiser, and she's the best darn change maker I met in my entire life."



Screen test: Hillary Clinton appears via video at the convention on Tuesday — Mark Kauzlarich/Reuters

For Mrs Clinton's passionate supporters the prevailing dislike for her is perplexing, particularly among the minority groups that have supported her in much higher numbers than their white peers. Polling by NBC News indicates that she has the support of 84 per cent of African-Americans and 76 per cent of Latinos against Mr Trump, numbers that are not far from her performance against Mr Sanders in the primary.

"It's just puzzling to me that she's not received better than she is," said Cathy Garrett, a Michigan delegate who is African-American. "And that's puzzling that we're in the women's movement, and there's a lot of women that don't support her . . . For me, she has said enough, her experience is enough. So we just have to hope that they realise that it is what it is, and they come on board."

Mr Sanders's supporters say they hope Mrs Clinton will do more in her speech to acknowledge their movement, and the issues to which they have drawn attention, including the need to remove big money from politics, make college education affordable and do more to fix income inequality.

"They talk about unity, but I haven't seen them addressing the concerns," said Eric Marsch, a Sanders supporter from Wisconsin. "They're trying to make it seem like the party is happy and united, and we're all 'with her' and 'Hillary, Hillary' when that's not the case. We have legitimate problems with Hillary Clinton as a candidate."

Some Democratic supporters said recent revelations had raised alarm bells, such as comments by Virginia governor Terry McAuliffe, a friend, that Mrs Clinton would ultimately support the Trans-Pacific Partnership trade deal. While the Clinton campaign has disavowed the remarks and insisted that Mrs Clinton had no plans to back the deal, for many Sanders supporters such comments points to basic questions over Mrs Clinton's trustworthiness.

Jacob Adenrian, a social worker in Philadelphia and a Sanders delegate, said the quickest way for Mrs Clinton to win him over would be to "stop lying".

He added: "She will have to show us through her policies and rhetoric after winning [the election] that she is really on our side."

Trump onslaught
Convention accused of ignoring terror threat

Donald Trump, the Republican presidential candidate, tore into the Democrats yesterday for largely ignoring terrorism and national security, themes that dominated his party's convention last week.

The rhetoric may be predictably doom-laden, but the tone in Philadelphia at the Democratic gathering contrasts starkly with that of the Republican convention, where Mr Trump and his supporters castigated Hillary Clinton and Barack Obama for not tacking "radical Islamist terrorism".

Apart from an endorsement by Bill Clinton of his wife's national security credentials, terrorism has been only a fleeting issue at their convention.

Hours before Mr Clinton spoke on Tuesday, Mr Trump, tweeted: "Why aren't the Democrats speaking about Isis, bad trade deals, broken borders, police and law and order?" The next day he tweeted that the convention had "paid ZERO respect to the great police and law enforcement professionals of our country" and that he hoped the "violent and vicious killing by Isis of a French priest is causing people to start thinking rationally. Get tough!"

In his own prime-time speech at the Cleveland convention, Mr Trump wove police shootings in Dallas and Baton Rouge into his portrait of a country where law and order was crumbling and violence on the streets was spiralling out of control. While the Republican convention focused on the spate of fatal attacks on police, the Democrats invited the relatives of young African-American men who were killed by police, including Michael Brown, whose shooting in Ferguson, Mississippi, sparked protests across America in 2014.

"Hillary Clinton has the compassion to comfort a grieving mother . . . And she has a plan to repair the divide that exists between law enforcement and the communities they serve," said Sybrina Fulton, pictured, mother of Trayvon Martin, an unarmed black man who was fatally shot in the back by a person who was later acquitted.

The deaths of black men at police hands and the retaliatory killings of police have sparked condemnation from all sides, but the violence has illuminated sharp distinctions between the parties. Democrats have focused on what they see as the institutionalised harassment of young African-Americans by police forces in which they say racism is ingrained. Republicans, in return, have stressed the bravery of police officers and called for them to be treated with greater respect, while blaming the Black Lives Matter movement for heightening tensions.

The Trump campaign also highlighted a column in the New York Post which said he had "cemented the image of the GOP as the pro-police party, a strong contrast with Democrats, who are recklessly becoming the anti-police party". *Barney Jopson*

GLOBAL INSIGHT
PHILADELPHIA

Edward Luce

US world leadership to take big hit with death of trade deal

It is time to pronounce the Trans-Pacific Partnership clinically dead. Hillary Clinton had already put President Barack Obama's signature deal — the biggest US trade initiative in more than a decade — on life support when she came out against it last year. Donald Trump has vowed to scrap it, which meant that whoever took the White House would have pledged its demise.

Yet the suspicion lingered that Mrs Clinton was simply following her husband's bait-and-switch tactics. Former president Bill Clinton ran strongly against the North American Free Trade Agreement in 1992 only to do whatever it took to ensure Nafta passed after he took office.

On Tuesday, Terry McAuliffe, the governor of Virginia and longtime friend of the Clintons, hinted that the Democratic nominee had exactly the same U-turn in mind for the 12-nation TPP. He was forced to disavow his words almost instantly. John Podesta, chairman of the Clinton campaign, tweeted that Mrs Clinton would be opposed to TPP before and after the election: "Period. Full Stop."

It will not be the last time Mrs Clinton will be cajoled to reassure voters that she really means what she says. When she was secretary of state she described the TPP as the "gold standard" of trade deals — she was for it before she was against it.

Mr Trump, the Republican nominee, will lose no opportunity to hammer her on that implicit contradiction. So too will Bernie Sanders' supporters, whose anti-TPP signs bedecked the Philadelphia convention hall on Monday. To them, and other doubters of Mrs Clinton, her actions on TPP will be the chief barometer of her integrity. Whatever wiggle room she still has will thus continue to shrink.

> A U-turn would confirm every prejudice about Clintonite slipperiness

But Mr Podesta left one key gap in his assurance that she would oppose TPP both as candidate and president — the lame duck Congress that will take place in the interregnum between November and January. This will be Mr Obama's last chance to ratify TPP.

His prospects were already looking shaky. Last year Congress passed the fast-track negotiating authority by just 10 votes. Most counts suggest that narrow margin has now vanished. Middle America's antitrade backlash has only intensified.

How then could TPP rise from the dead? The only realistic scenario is that Mr Obama could somehow bludgeon the lame duck Congress to rush it on to the statute books after a landslide victory by Mrs Clinton.

It is virtually inconceivable Mrs Clinton could reprise her husband's Nafta pivot on TPP after taking office. Attempting that would drain her political capital in the first few months and toxify whatever chances she had of building a reputation as a trustworthy leader.

Mr Sanders' backers have already made it clear that the Democrats are ripe for a Tea Party-style takeover. A U-turn by Mrs Clinton would invite that fate by confirming every prejudice about Clintonite slipperiness. It would also kill her chances of enacting immigration reform, which she says will be her first priority in her first 100 days.

In other words, the TPP in its current form is dead — and it will be hard to bring it back to life in any other guise. The hit to America's global leadership will be huge.

Mr Obama and Mrs Clinton originally sold the deal as the economic plank of Washington's "pivot to Asia". It would set in stone the rules of engagement that China would have no choice but to follow.

Nature abhors a vacuum. If TPP dies at America's hands, it will be the end of an era. Allies in Asia will look increasingly to China for economic leadership. Europe's equivalent deal, the Transatlantic Trade and Investment Partnership, will die with it.

The era of US-led globalism will begin to unravel. It may well be a price worth paying — Mr Trump's victory would sound the death knell for US globalism. But it is a high price nonetheless.

edward.luce@ft.com

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1 Southwark Bridge,
London SE1 9HL

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Letters to the editor:
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Published by: The Financial Times Limited, 1 Southwark Bridge, London SE1 9HL, United Kingdom. Tel: +44 20 7873 3000; Fax: +44 20 7407 5700. Editor: Lionel Barber.
Belgium; BEA Printing sprl, 16 Rue de Bosquet, Nivelles 1400.
Germany; Dogan Media Group, Hurriyet AS Branch Germany, An der Brucke 20-22, 64546 Morfelden - Walldorf. Responsible Editor, Lionel Barber. Responsible for advertising content, Dominic Good.
Italy; Poligrafica Europa, S.r.l, Villasanta (MB), Via Enrico Mattei 2, Ecocity - Building No.8. Milan.
Owner, The Financial Times Limited; Rappresentante e Direttore Responsabile in Italia: I.M.D.Srl-Marco Provasi - Via G. Puecher, 2 20037 Paderno Dugnano (MI), Italy. Milano n. 296 del 08/05/08 - Poste Italiane SpA-Sped. in Abb.Post.DL. 353/2003 (conv. L. 27/02/2004-n.46) art. 1 .comma 1, DCB Milano.
Spain; Fabripress, C/ Zeus 12, Polígono Industrial Meco-R2, 28880 Meco, Madrid. Legal Deposit Number (Deposito Legal) M-32596-1995; Publishing Director, Lionel Barber; Publishing Company, The Financial Times Limited, registered office as above. Local Representative office; C/ Infanta Maria Teresa 4, bajo 2, 28016, Madrid. ISSN 1135-8262..
UAE; Al Nisr Publishing LLC, P.O.Box 6519. Dubai. Editor in Chief: Roula Khalaf. Origin of publication, twofour54, Media Zone, Abu Dhabi.
France; Publishing Director, Dominic Good, 40 Rue La Boetie, 75008 Paris, Tel. +33 (0)1 5376 8256; Fax: +33 (01) 5376 8253; Commission Paritaire N° 0909 C 85347; ISSN 1148-2753.
Turkey; Dunya Super Veb Ofset A.S. 100. Yil Mahallesi 34204, Bagcilar- Istanbul, Tel. +90 212 440 24 24.

Germany

Antibiotic experts are led by the nose to breakthrough

Bacteria growing inside the human body could be a rich source of much-needed new antibiotics.

The first example, discovered in Germany, is a bug growing inside the nose. It produces a compound that kills other bacteria including ones that are resistant to existing drugs.

Researchers from the University of Tübingen described their new antibiotic, which they call lugdunin, for the first time at the European Science Open Forum in Manchester.

The study is also published in the journal Nature.

"Existing antibiotics have been isolated mainly from microbes that live in the soil," said Andreas Peschel of the university.

"No one has looked systematically for antibiotics from bacteria that live in our bodies."

The human microbiota, as it is known, includes thousands of bacterial species.

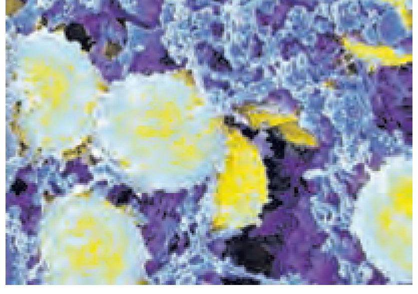
Most live in the gut, where they play an essential role in metabolism, but they also inhabit our skin, mouth, nose and other organs.

The research began by observing human noses containing the microbe staphylococcus lugdunensis are free of the higher risk Staphylococcus aureus.

Experiments showed that this is because lugdunensis produces a previously unknown compound, lugdunin, which eliminates aureus — including the drug-resistant strains known as MRSA which are a global public health problem — and other bacterial pathogens.

Lugdunensis makes lugdunin to clear competing species out of the nutrient-poor environment of the nose.

What makes lugdunin remarkable is not only its effectiveness against a


Staphylococcus aureus: absent where lugdunensis strain is present

range of bacteria in animal tests — it is about as powerful as vancomycin, a drug used to treat life-threatening infections that do not respond to other antibiotics — but also the way it keeps on working without inducing drug resistance.

"S. aureus has been exposed to this compound in the human nose for thousands of years and never developed resistance," said Professor Peschel.

The Tübingen team has patented lugdunin and is looking for partners to develop it commercially. Further research in medicinal chemistry and pharmacology will be required to optimise the molecular structure, including making the compound more soluble in water, before clinical trials could start in people.

Prof Peschel said a possible alternative to a new drug based on lugdunin would be to transplant the bacteria that produce it, which seem to be harmless, into patients infected with antibiotic-resistant superbugs.

"This might be a proof of concept for something new: a probiotic way of preventing or fighting infection," he said.

"If you have a perfect bacterium to eliminate S. aureus from the nose, why not give it to patients at risk?"
Clive Cookson, Science Editor

Malaysia. State fund scandal

Saudi royal oil group at heart of 1MDB case

US investigators claim $1bn of Malaysian funds for PetroSaudi venture were siphoned off

MICHAEL PEEL, ANJLI RAVAL AND DAVID SHEPPARD — LONDON

It is the tale of a little-known but well-connected oil company that was co-founded by a Saudi prince and claims to be a "partner of choice" for multinationals. But US authorities have now left PetroSaudi International grappling with questions over its dealings with the scandal-racked 1MDB, the Malaysian state wealth fund.

US investigators last week threw their weight behind longstanding claims that $1bn of Malaysian public money meant for 1MDB's joint venture with PetroSaudi was instead siphoned off to a Malaysian businessman, who splurged millions on art, partying and even a Hollywood film.

Officials from the US Department of Justice allege that $20m of the total was sent to the unnamed PetroSaudi prince then again to an unnamed top Malaysian official, whose description corresponds to that of Najib Razak, the country's prime minister.

PetroSaudi has denied any wrongdoing and rejected any claims of involvement in misappropriation of funds from 1MDB. It says it is not aware of any investigation into its conduct, but will co-operate with any official requests for assistance. Mr Najib has also denied any wrongdoing in connection with 1MDB, whose advisory board he chaired.

The US court case, launched last week to recover money allegedly looted from 1MDB, provided the most extensive detail so far on the alleged transactions, including those involving the 1MDB-PetroSaudi joint venture.

The US action is one of several probes spanning continents into claims of multibillion dollar corruption in 1MDB's international dealings. PetroSaudi is neither a defendant in the US case nor accused of any crimes.

PetroSaudi was founded in 2005 as a private oil company by Prince Turki bin Abdullah bin Abdel Aziz, a son of the late King Abdullah, and his business partner, Tarek Obaid, a former banker. The company grew from drilling and oilfield management into trading, opening offices in London's Mayfair district that have pictures of Saudi royalty and are decked with national flags.

The company also attracted high-profile individuals from western business as advisers, including Rick Haythornthwaite, chairman of Centrica and MasterCard, who advised on oil exploration. Tony Blair Associates, the consultancy set up by the former UK prime minister, has said it did a few months of advisory work for PetroSaudi almost six years ago, on business in Asia not linked with Malaysia. PetroSaudi's website lists projects in Ghana, Indonesia, Venezuela and Tunisia.

The 1MDB-PetroSaudi joint venture first attracted scrutiny last year after Xavier Justo, a former PetroSaudi executive, leaked corporate emails that were covered on the Sarawak Report investigative blog. Mr Justo is serving a three-year sentence in a Thai jail after pleading guilty in August 2015 to blackmail in relation to the documents.

At the heart of the 1MDB-PetroSaudi relationship is a 2009 agreement for the Malaysian fund to invest $1bn in a joint venture in exchange for the Saudi company bringing in mineral extraction concessions in Turkmenistan and Argentina allegedly valued at $2.7bn, according to the US complaint.

Some 1MDB officials and others then allegedly arranged for the fund's share of the cash to be fraudulently transferred to a Swiss bank account controlled by a Malaysian businessman and impresario, Jho Low. The DoJ court filing claims Mr Low laundered more than $400m into the US, using at least $106.7m to acquire a stake in EMI Music Publishing Group North America Holdings Inc.

Mr Low has not responded to a request for comment submitted through Jynwel Capital, his family's Hong Kong-based company. He has previously denied any wrongdoing.

The DoJ case also focuses on $24.5m allegedly sent in tranches in February and June 2011 from the account run by Mr Low to a Riyadh account in the name of a man described in the complaint as a Saudi prince who co-founded PetroSaudi. All but $4.5m of these funds were then allegedly transferred again within days to a person dubbed "Malaysian Official 1", whose biography and responsibilities outlined in the DoJ case match those of Malaysia's prime minister.

Mr Najib has faced opposition pressure to resign since it emerged last year that he received $681m into his personal bank account in 2013 — money the country's attorney-general has said was a gift from the Saudi royal family.

People close to the matter confirm that the two co-founders of PetroSaudi referred to in the DoJ complaint are Prince Turki and Tarek Obaid. Neither has been accused of any wrongdoing. According to the company, Prince Turki ceased to be a shareholder in 2013.

PetroSaudi maintains all the funds and transfers related to the joint venture with 1MDB — which ended in 2012 — have been properly accounted for. It says it would not be appropriate to comment further. Prince Turki could not be reached for comment. A Malaysian government spokesman did not respond to a request for comment.

Additional reporting by Kara Scannell

Going for growth: a man walks past a 1MDB billboard at a development in Kuala Lumpur last year — Olivia Harris/Reuters

Dispute
Deloitte resigns as third auditor

Deloitte has resigned as auditor of 1Malaysia Development Berhad, as the scandal surrounding the Malaysian state investment fund reverberates through the global financial system.

Late on Tuesday 1MDB said its audited financial statements for 2013 and 2014 should no longer be relied on following a US Department of Justice complaint last week alleging an international scheme to siphon more than $3.5bn from the fund.

Deloitte, which notified 1MDB of its intention to resign in February, said the DoJ complaint contained information that, if known at the time of the audits, "would have impacted the financial statements and affected the audit reports".

The professional services firm has been drawn into a dispute over a $1.4bn mismatch in dealings between 1MDB and an Abu Dhabi investment fund, International Petroleum Investment Company.

The DoJ alleged last week that about $1.4bn had been transferred by 1MDB officials to a British Virgin Islands entity with no genuine affiliation to Ipic.

Deloitte is the fund's third auditor. EY's contract was terminated before 1MDB submitted its first financial statement, and KPMG was dumped on New Year's Eve 2013 — after the fund refused to provide information regarding assets in the Cayman Islands, according to a Malaysian parliamentary inquiry.

1MDB has not yet filed a financial statement for 2015.

Jeevan Vasagar in Kuala Lumpur and Jennifer Thompson in Hong Kong

INTERNATIONAL

Terror in Europe

Priest murder exposes French 'blind spots'

Normandy killing renews attention on underfunded national justice system

ANNE-SYLVAINE CHASSANY — PARIS

That France's latest terror attack was carried out by a known radical wearing a court-imposed electronic tag has prompted new complaints about the country's anti-terror fight — and doubts about the Socialist government's ability to tackle them.

Adel Kermiche, one of two men who slit the throat of an 85-year-old Catholic priest in the small church of Saint Etienne du Rouvray, Normandy, on Tuesday did not breach the conditions of his parole to commit his assault. Under house arrest awaiting trial on terrorism charges, the 19 year old was allowed to roam freely within a defined perimeter between 8.30am and 12.30pm on weekdays.

The church he attacked was inside that perimeter. He stormed it at about 9.25am, taking Father Jacques Hamel and four others hostage.

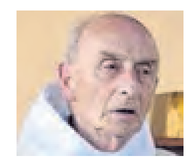
"The government will have to answer the question: how flagged individuals, including one under judiciary control for attempting to wage jihad in Syria, were let free to commit such an attack?" asked Nicolas Sarkozy, former president and head of the centre-right Republican party, in an interview in Le Monde yesterday.

Part of the answer lies in the lack of co-ordination between intelligence services and the justice system. Kermiche, who was shot dead, was under judiciary supervision having twice attempted to go to Syria in spring 2015 and spending a year in custody. After he was released awaiting trial he was no longer monitored by intelligence officers, according to François Heisbourg, special adviser at the Fondation pour la Recherche Stratégique.

About a dozen people in France are under judiciary control facing terrorism charges or after sentencing. Parole officers do not have the same skills as their intelligence colleagues, who monitor the 10,000 or so French individuals suspected of being radicalised.

It is a risk that was highlighted three weeks ago in a report by a parliamentary committee. "This is a systemic problem, and an identified one at that," Mr Heisbourg said. "Instead of concocting new legislation, the government should first try to eliminate all the blind spots in the system. It shows the government has not yet taken the threat seriously."

Father Jacques Hamel was killed while celebrating mass with a small congregation on Tuesday



The Normandy killing has renewed attention on an understaffed, underfunded justice system, with lengthy delays between arrests and trials, and early releases common.

The anti-terror judge in charge of Kermiche had recommended a release after an assessment of his personality, according to Le Monde. The youngster had insisted on moving on with his life and getting a job. The prosecutor's office challenged the judge's decision, but the ruling was upheld.

"They aren't trained to understand the threat," said Hugo Micheron, a Sciences Po researcher who specialises in homegrown jihadism. "When someone has twice tried to go to Syria, after the Charlie Hebdo attacks, it means he is serious about jihad."

Overpopulated prisons — with a reputation as breeding grounds for jihadis — might not be the best answer, he said. "The bigger issue is what to do with all these returnees?"

Mr Sarkozy, who is eyeing a second presidential bid next year, said the times required an "intellectual evolution". He supports locking up, preventively, the 10,000 individuals flagged as potentially radicalised and expelling foreign citizens convicted of crimes.

"Our system must protect potential victims instead of those who will probably commit a future attack," Mr Sarkozy told Le Monde.

More than 80 per cent of French respondents in an Ifop poll after the Nice slaughter said they were ready to accept such measures.

But after 236 deaths in Islamist terror attacks under his watch, François Hollande, president, has indicated that he will not pass more legislation. "Restricting our liberties, departing from our constitutional rules would not improve our fight against terrorism," he said.

The message was creating "cognitive dissonance", said Mr Heisbourg.

"People are confused. If this is war, then we have to draw the lessons: no Tour de France, no Euro 2016 football championship. You can't say one thing and then the opposite."

Comment page 9

Sanctions threat

Brussels tells Poland to stop political intrusion at highest court

HENRY FOY — WARSAW

Poland has been told to end political interference in its highest court within three months or face EU sanctions, after Brussels accused the country's government of ignoring concerns that it had undermined democracy.

The European Commission yesterday moved to advance its disciplinary procedure against Poland in a case that revolves around changes made to the country's Constitutional Tribunal by the rightwing and Eurosceptic Law and Justice party. Critics say the changes have left the court paralysed and unable to act as a check on parliamentary power.

"Our conclusion is that fundamental concerns which threaten the rule of law in Poland have not been resolved," first vice-president of the commission Frans Timmermans said. "The [court] is still prevented from performing . . . its proper functions."

The procedure marks the first time the EU's executive arm has formally accused a member state of endangering democracy. Warsaw has three months to rectify the situation or risk the final stage of the process, which could result in sanctions, including a possible suspension of its EU voting rights.

Law and Justice has unsettled EU officials since it came to power in November by moving to take control of the justice system, public media and state-run companies. In June, the commission ruled the reform of the tribunal rendered it obsolete and was a threat to the rule of law. The stand-off has raised tensions between Brussels and Eurosceptic governments that accuse the commission of interfering in national affairs. Their complaint has been amplified by Britain's vote to leave, which has sparked calls by eastern governments in particular for a reform of the bloc.

'Fundamental concerns which threaten the rule of law in Poland have not been resolved'

Any move to impose sanctions on Poland — which would require the support of member states and the European Parliament — would probably become a flashpoint in the larger tussle over Brussels' authority. Hungary, whose Eurosceptic prime minister Viktor Orban is a strong ally of the new Polish government, has already said it would veto any proposed sanctions against Warsaw.

Poland's government has been scornful of the commission's stance, accusing it of over-reach. It blames domestic political opponents for whipping up the dispute, which has seen the court and parliament in effect renounce each other's authority, pushing the country into a constitutional crisis.

Poland's deputy justice minister Patryk Jaki said: "The arrogant European elite today showed the people a red card. Rather than deal with the influx of Islamic plague, [the commission] deals with the state of the rule of law in Poland. European elites have recognised that Poland is worse than Turkey . . . This is a big, grotesque cabaret."

A senior Polish minister told the Financial Times last month that Warsaw was confident the issue "would just go away" because of the distraction caused by Britain's vote to leave the EU.

Within the commission, some are concerned about the approach to Poland and fear it will backfire. One senior eastern official who works with Mr Timmermans said the vice-president was highly competent but liable to behave like "an elephant in a china shop" when it came to eastern Europe.

Interview. Frauke Petry

German rightwing leader warns of EU demise

The AfD head gives the bloc five years to restore power to nations or face disintegration

STEFAN WAGSTYL — WARNEMÜNDE

The EU has five years to carry out radical reform and return power to national governments or face disintegration, says the most prominent leader of Germany's biggest rightwing party — the anti-immigration and Eurosceptic Alternative for Germany.

Welcoming the UK's referendum vote, Frauke Petry predicts other countries may follow Britain out of the door, including the Netherlands, Denmark and "at some point" Austria. Germany is behind the rest but is "waking up" to the possibility.

"I think we must finally set a deadline for the EU or all EU governments: if we don't achieve any radical reforms in five years then the [exit] question will be raised also in Germany," the combative 41-year-old told the FT during a break from her holiday on the Baltic coast.

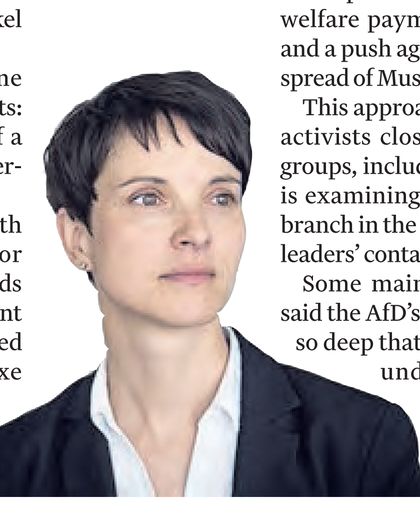
Sitting in a seaside café and wearing a sundress, she blended easily with other tourists in Germany's elegant resort of Warnemünde. But as she spoke, with her usual rapid-fire delivery, she made clear there would be no summer let-up for the AfD. Later the same day she would address a nearby rally in the party's campaign for elections on September 4 in the local region of Mecklenburg-Vorpommern.

The party touched 15 per cent in national polls at the height of the refugee crisis this year, making it the most successful far-right party in postwar Germany. Support has since softened as arrivals have waned and internal AfD power struggles have burst into the open. The UK's Brexit vote last month has also prompted many Germans to rally around Chancellor Angela Merkel and the political status quo.

Ms Petry's vision of Europe is one familiar to other rightwing nationalists: she wants a "return to the status of a common market . . . a Europe of sovereign states".

Of more immediate resonance with many voters are the AfD's calls for restrictions on immigration — demands that may have wider appeal after recent terror attacks by refugees who pledged loyalty to Isis. One involved an axe attack on a train by a 17-year-old Afghan; another assault by a 27-year-old Syrian in Ansbach was Germany's first suicide bombing.

Suicide bomb: police in Ansbach after an attack by a 27-year-old Syrian, which may fuel AfD calls for curbs on immigration. Below, Frauke Petry
Matthias Schrader/AP



"The victims don't care whether the perpetrator is a jihadi or a frustrated rampager . . . What more has to happen before we begin to check who comes into our country?" said Ms Petry, vowing the AfD would not treat criminal migrants with the excessive "pathological" understanding of today's ruling politicians but as "enemies of an open society and enemies of our country".

Specifically, the AfD urges an immediate stop to refugee arrivals, sharp cuts in welfare payments for asylum seekers and a push against "Islamisation" — the spread of Muslim culture in Germany.

This approach has brought some AfD activists close to far-right and racist groups, including neo-Nazis. The party is examining whether to ban the AfD branch in the Saarland region over local leaders' contacts with extremists.

Some mainstream politicians have said the AfD's ties with the far-right run so deep that the party must be placed under observation by the domestic intelligence service. Ms Petry rejects this: "What can you say about such a grotesque demand? These people are clearly worried that the AfD will take their jobs away and now use all means to denigrate our party."

But she does not deny making a controversial statement of her own — when she said in an interview at the height of the migrant crisis that German border guards had the legal right to "use firearms if necessary" in controlling migrant flows. "We simply demand the application of the valid law at the border . . . Whoever damages the borders with violence must be shown the consequences by the border guards . . . If the state gives up its borders then at that moment it exists no more."

Meanwhile she and other AfD leaders have come under attack for mishandling an anti-Semitism dispute after delays in disciplining a regional party activist who argued that Holocaust denial — a crime in Germany — was a legitimate expression of opinion.

Jörg Meuthen, AfD party leader in the Baden-Württemberg region, failed to win local AfD backing to expel Wolfgang Gedeon, one of the party's 23 regional assembly members. Mr Meuthen quit the local AfD caucus (though not the party) with 12 others and set up a breakaway grouping. Ms Petry intervened and persuaded Mr Gedeon to resign the AfD whip.

'If we don't achieve any radical reforms in five years then the [exit] question will be raised also in Germany'

As well as blackening the AfD's name, the dispute has wider implications because Mr Meuthen is the AfD's national co-leader, nominally equal to Ms Petry. Their rivalry is so intense that the Baden-Württemberg party remains split, with each side blaming the other over the Gedeon affair.

Analysts see the row as a power struggle between Ms Petry, Mr Meuthen and other rivals. Ms Petry agrees, saying it is "ultimately about the question who leads the party and how they lead it".

She wants the dispute settled well before next year's Bundestag election, when the AfD plans to become the first rightwing party since 1945 to win seats.

But Hajo Funke, a politics professor at Berlin's Free University, says Ms Petry and other leaders may struggle to stabilise the party. "They want to be seen as reasonable people. But it is difficult in a party which gets a lot of support from radicals who push for more radicalism."

EU pay rules

Small lenders and brokerages avoid bonus cap

JIM BRUNSDEN — BRUSSELS

Banks have won over Brussels with their plea to shield smaller lenders and brokerages from a cap on bonuses they complain would saddle them with high administrative costs and ruin their ability to attract top talent.

After months of hand wringing in the City of London and other financial centres, the European Commission will move today to ease their concerns about a planned extension of EU pay rules to a wide range of institutions that have so far avoided them.

In a formal report, the commission is expected to endorse the idea that some exemptions for smaller firms should be preserved — something keenly sought by the industry. Vera Jourova, the EU justice commissioner, said that the commission wanted "to clarify the rules to make them more proportionate and less burdensome for smaller and less complex credit institutions and investment firms".

Her comments suggest that Britain can still secure positive results in Brussels for a key industry even after its vote in June to leave the EU.

The financial industry's concerns were prompted by a wide-ranging EU banking reform adopted in 2013 which, among other things, ended the waivers used by many countries to exempt smaller financial companies from some pay rules.

Such rules, created in the wake of the 2008 financial crisis, require bonus payments to be deferred for several years, and for part of them to be made in shares rather than in cash.

In addition to removing the possibility of exemptions for smaller groups, the industry also feared the law would also limit their flexibility when it comes to staff in larger financial institutions who receive only small bonuses.

The European Banking Authority, an agency bringing together national regulators throughout the EU, flagged the issue last year after it became aware of the full consequences of the law.

Without changes, UK regulators have estimated they would force be forced to apply the rules on deferrals and shares to an additional 200 banks.

Stand-off

Portugal and Spain escape fiscal breach fines

MEHREEN KHAN — LONDON
JIM BRUNSDEN — BRUSSELS

Brussels has moved to end a stand-off with Spain and Portugal over their persistent failure to hit EU budget targets, proposing that neither country be fined for breaching fiscal guidelines.

In a step that defuses months of tension, the European Commission yesterday moved to cancel what would have been the first time fines were levied, despite earlier rulings that Lisbon and Madrid had failed to take effective action to reduce their budget deficits.

The issue had dragged on since May, when the commission postponed key decisions due to the Spanish election. Although fiscal hawks warned that the credibility of the eurozone's post-crisis rule book was at stake, Spain and Portugal argued against any punishment as economic growth is set to slow in Europe due to the uncertainty over Brexit.

After the commission showed leniency to France recently, critics said the EU executive arm was making an example of weaker member states.

Pierre Moscovici, EU economics commissioner, said the decision not to levy fines recognised the tough fiscal consolidation already carried out in each country.

"I think we took the wisest decision in economic terms. Even a symbolic fine would not have been understood by people . . . A punitive approach would not be the right one at a time when people doubt in Europe."

Under reinforced budget rules, the commission could have imposed a maximum punishment of 0.2 per cent of GDP, equal to €2bn for Spain and more than €300m for Portugal.

Spain must bring its 4.6 per cent deficit under 3 per cent by 2018, two years later than an earlier demand. Portugal must achieve a 2.5 per cent deficit by the end of 2016, one year later than before.

Madrid and Lisbon welcomed the decisions. Luis de Guindos, Spain's finance minister, said: "I was convinced there wouldn't be a sanction. Why? For a very simple reason: to put a sanction on Spanish society would be a mistake . . . [Spain] has made a brutal effort."

Additional reporting by Ian Mount in Madrid and Peter Wise in Lisbon

Departure plans

Brexit negotiator receives frosty British welcome

EU chooses Barnier to lead talks, a man viewed as 'no friend of City of London'

ALEX BARKER — BRUSSELS
PATRICK JENKINS — LONDON

Britain has reacted frostily to the naming of Michel Barnier, the former French foreign minister and scourge of the City of London, as the European Commission's chief Brexit negotiator.

The surprise nomination places an architect of Europe's post-crisis financial regulation at the helm of the technical talks for Britain to leave the EU. Jean-Claude Juncker, the commission president, said he wanted an "experienced politician for this difficult job".

The UK government's cool response to the decision reflected heightened concerns that the commission will be an awkward negotiating partner. An official statement did not mention the Frenchman by name and was drafted to suggest the commission was the least important of three interlocutors in the Brexit talks.

"We look forward to working with representatives from the member states, the council and the commission to ensure an orderly departure of the UK from the EU," a UK spokesman said.

Some City financiers were even more scathing about the appointment. One chairman said: "My initial reaction was 'Oh, God.' It's clearly provocative."

"I can't see how it could be worse," said another senior banking industry figure, who has worked in Brussels. "It's incredibly provocative. This is Juncker's revenge on Britain."

Mr Barnier has always insisted he went to great lengths to avoid alienating Britain or the City when he was the EU's single market commissioner from 2009 to 2014. But his interventionist instincts and Gaullist style at times made him the nemesis of the UK Treasury. Britain was outvoted for the first time on a big EU financial services law in 2013 when it objected to a revamp of bank capital rules.

While the leaders of Germany, France and other EU member states are determined to maintain a grip on the course of Brexit negotiations, the commission's technical expertise will be invaluable during the complex talks. The precise balance of responsibilities in the negotiations has yet to be set.

Michel Barnier: 'Juncker's revenge on Britain,' says one banker — Georges Gobet/AFP/Getty

Mr Barnier will oversee a commission task force rather than a department, and be advised by the officials most relevant to the Brexit talks. His role will be to prepare for formal exit talks under Article 50 of the EU treaty and conduct negotiations once the process is triggered. He will report to Mr Juncker.

His experience spans the range of European politics: he was France's minister of agriculture and then foreign affairs as well as a member of the European Parliament. He also served two stints as an EU commissioner, covering regional policy spending and then the single market amid a torrent of post-crisis financial regulation.

Mr Barnier issued 40-odd proposals on financial services that rewrote Europe's rule book for banks, markets and insurance, as well as building a banking union for the eurozone. Although many in London remember him for imposing a cap on banker bonuses, this was an idea born in the European Parliament that Mr Barnier later championed.

In a valedictory interview as EU commissioner with the Financial Times, Mr Barnier spoke of "unfair and unjust" headlines at the time of his appointment that described him as the "most dangerous man in Europe".

Towards the end of his five-year term in 2014, Mr Barnier's relations with London were on a more even keel — looking back, he recalled "good spirited" tussles with George Osborne, then chancellor.

But Nick Clegg, the former deputy prime minister, said Mr Barnier was "no friend of the City of London" and that "alarm bells will be ringing".

Theresa May, prime minister, said yesterday she had an open mind about Britain's future ties with the EU, adding that the UK might not copy any of the existing relationships between non-EU countries and the bloc.

"I'm looking at this with an open mind," Mrs May said. "I think we should be developing the model that suits the United Kingdom and the European Union, not adopting, necessarily, a model that is on the shelf already," she added in Rome after meeting Italian prime minister Matteo Renzi.

Additional reporting by George Parker

Editorial Comment page 8

Monetary policy

BoJ eyes extra stimulus in fight against falling inflation

ROBIN HARDING — TOKYO

Haruhiko Kuroda is set to dash market hopes for "helicopter money" tomorrow but there is a high probability the Bank of Japan governor will deliver more stimulus as he battles with falling inflation.

According to surveys conducted by Bloomberg and TV Tokyo, about 80 per cent of analysts expect easing at the BoJ's July meeting, although they are widely split on what form it will take.

Currency traders have driven the yen down from ¥100 to ¥107 against the dollar in recent weeks.

But while the odds of easing are higher than at any time since the adoption of negative interest rates in January, BoJ officials say there is no chance of helicopter money, leaving them with a dilemma: they fear whatever they do will disappoint markets.

The BoJ also knows Japan's government is preparing a large fiscal stimulus to be announced next week.

With helicopter money, a central bank would pledge to increase the money supply permanently. It could do this by dropping bank notes out of a helicopter, or more practically, funding the government by buying perpetual bonds that never need to be paid back.

Some of Prime Minister Shinzo Abe's advisers have talked positively about the idea, leading to falls in the yen, only for the currency to surge last week after Mr Kuroda said there was "no need and no possibility" of doing it.

People who know Mr Kuroda are baffled by the helicopter money speculation, since he is a former finance ministry official who has constantly urged the government to show fiscal discipline.

One BoJ official said there had been no technical discussions with the government about helicopter money. But after Mr Kuroda ruled out negative rates just days before launching them, markets may not believe BoJ denials.

Ideally, whatever the BoJ does should align with the government's plans for fiscal stimulus. On Tuesday, Mr Abe pledged to produce a "bold and comprehensive package in excess of ¥28tn". He said the "fiscal measures" would exceed ¥13tn. A ¥28tn ($265bn) package would be 5.6 per cent of gross domestic product, a massive stimulus, but analysts said it would be spread over several years and much of it would not be "fresh water" or actual new spending.

Haruhiko Kuroda: yen surged after he said there was 'no possibility' of providing helicopter money

From the BoJ's point of view, the fiscal stimulus should boost growth and inflation. That gives it less reason to act itself and also argues for waiting until September, when the size of the package will be clear. But the BoJ also wants to show that monetary and fiscal policy are working together.

Helicopter money aside, the options in the central bank's toolkit are deeper cuts in interest rates to below minus 0.1 per cent; an increase in the pace of asset purchases from ¥80tn a year; or buying more equity and real estate funds.

Workplace legislation

Activists say India child labour laws still open to exploitation

AMY KAZMIN — NEW DELHI

India's parliament has adopted a child labour law that critics fear will do little to reduce what remains a pervasive phenomenon in the world's fastest-growing large economy.

The new law ostensibly imposes India's first general ban on employing children under the age of 14, who previously were restricted only from toiling in industries deemed "hazardous".

The law, which also provides for tough penalties for violators, is intended to signal India's official renunciation of its long-held belief in the inevitability of poor children taking up paid jobs to help support their families.

But the law has provided for one wide-ranging exception — permitting children under 14 to work in "family-based" enterprises after school hours and during school holidays.

While policymakers say the provision will allow children to learn valuable "traditional skills" from their elders, activists see this as a loophole that will make the broad ban on child labour tough to enforce.

The definition of the family included in the law is also expansive, going beyond just the nuclear family of parents, grandparents, to include uncles and aunts, which critics say could leave children vulnerable to economic exploitation by distant relatives, or employers posing as relatives.

"This is a regressive step and was not required," said Bidisha Pillai, advocacy director for Save the Children, a charity. "Our concern is that this is going to be incredibly hard to monitor."

The new law also imposes a first-time prohibition on children from 14 to 17 — who previously had few restrictions on their employment — from working in hazardous industries. But critics said the protection this offered teenage workers would be limited as the list of "hazardous industries" was cut from 83 to three, including mining and work with inflammable substances.

Kailash Satyarthi, India's Nobel Peace Prize-winning anti-child labour activist, has described the law as a "missed opportunity to protect our children and generations to come".

"Children of any age, under the garb of family enterprises, can now legally work in brick kilns, slaughter houses, *beedi* [hand-rolled cigarette] making, glass furnaces and other hazardous labour," he said in a statement. "Children have been failed again."

The International Labour Organisation estimated that at least 5.8m Indian children aged five to 17 are employed as wage labourers in various sectors of the economy, while another 6m children work in family trades without pay.

ARTS

A Messiah for the age of Instagram

THEATRE

Jesus Christ Superstar
Open Air Theatre, Regent's Park, London
★★★★☆

Sarah Hemming

Born in 1970, post-Woodstock, post-*Hair*, in an age of restless youth and burgeoning rock music, *Jesus Christ Superstar* is resurrected in this cracking production for a new generation: one that grew up with *The X Factor*, "Beliebers" and pop-up tents; one familiar with Occupy and Instagram, with blogs, vlogs, instant celebrity — and swift derision.

Director Timothy Sheader channels the festival vibe for his open-air staging of Andrew Lloyd Webber and Tim Rice's rock opera, which audaciously revisits the final few days of Jesus's life, casting him as a reluctant superstar. The performers stream through the auditorium to set up camp on a stage of giant girders, stadium-lit. A huge fallen crucifix sprawls across the playing area to serve as a platform and catwalk: a neat nod from designer Tom Scutt to the ersatz gods of a more secular age.

Jesus and his followers wear the contemporary chic of capri-pants, outsize T-shirts and baseball boots: a wardrobe of softly muted pale greys, whites and charcoals that conveys both purity and casual youthful scorn. The only colours are the gold of Herod's absurdly camp cape, the liquid silver in which Judas drenches his hands upon betrayal, the red blood of Jesus's scourged body. Here is a distillation of a society where materialism breeds disaffection and a yearning for something or someone to believe in.

There are inevitable shortcomings to the show, which, launched as a concept album, contains no dialogue but rolls from one song to another: there is no explanation or character development. But Sheader and the onstage band give it a pulsing energy to convey the gathering momentum that will lead to crisis. Drew McOnie's choreography skilfully shifts the crowd from euphoric throng to rapt mass to baying mob.

And at its centre, three casualties. Judas, here a tragic figure alarmed by the hero-worship surrounding Jesus, then tormented by his own actions, is brilliantly played by Tyrone Huntley, whose soulful voice swoops across a huge range. Anoushka Lucas's tender Mary Magdalene delivers "I Don't Know How to Love Him" with lilting, poignant simplicity. And Declan Bennett as Jesus, at first bemused, bland and even irritable, ironically comes into his own as he faces death, giving a haunting rendition of "Gethsemane".

Remarkably, as he dies, gilded and bloody like a painted carving, and the cast sing the spine-tingling "Superstar", the show brings the focus soberly back to the original story.

To August 27, openairtheatre.com

THEATRE

Half a Sixpence
Chichester Festival Theatre, West Sussex, UK
★★★☆☆

Ian Shuttleworth

Well, after the encore I think I'm now excused banjos for the rest of my life. Surprisingly, the old kerplunker was not written into the 1963 musical solely for the benefit of original star Tommy Steele; the protagonist of H.G. Wells's *Kipps: The Story of a Simple Soul* (1905) is himself a pleasant plucker. And this version gets a lot of mileage out of it, including a second-act number set at a society soirée that ends with one chap literally swinging from the chandelier.

A few of David Heneker's songs have been cut, with the remainder reordered, repurposed and augmented by new numbers from George Stiles and Anthony Drewe; Beverley Cross's script has been replaced with one by Julian Fellowes. This is the team that gussied up *Mary Poppins* a few years ago for Cameron Mackintosh (who preeningly takes a "co-creator" credit here) and will this autumn unveil a new musical version of *The Wind in the Willows*.

Fellowes, creator of *Downton Abbey*, is a natural choice for an Edwardian story about class consciousness. Draper's assistant Arthur Kipps comes into money and has to choose between shabby-genteel Helen with her appallingly snobbish family and childhood friend Ann, now a housemaid. Whichever way the story resolves itself, it's going to feel dodgy in 2016: it will either peddle the myth of social mobility or suggest that happiness lies in knowing one's place. Wells opted for the latter, with which I suspect Fellowes is more instinctively in sympathy. His script is fluent, though not without a clutch of anachronistic turns of phrase. The songs are for the most part jaunty to say the least (this is the show that gave us "Flash, Bang, Wallop"), with the new Stiles & Drewe numbers fitting in well among the repointed originals.

Rachel Kavanaugh directs stylishly, and in Charlie Stemp has a lead actor as given to a bit of a vigorous cavort as was the young Tommy Steele. It's fluff, of course, and the kind of complacent fluff in which even a fervent Marxist character dreams of nothing so much as running his own small business. Its appeal is a matter of taste and also of personal social outlook.

To September 4, cft.org.uk

Haunting: Declan Bennett in 'Jesus Christ Superstar'. Below left: Charlie Stemp in 'Half a Sixpence'
Johan Persson
Manuel Harlan

ARTS ONLINE

William Eggleston
A revealing show of the photographer's work at London's National Portrait Gallery gives a new identity to his anonymous subjects
ft.com/arts

DANCE

LA Dance Project
Joyce Theater, New York
★★★★☆

Apollinaire Scherr

The programme that LA Dance Project has brought to New York reflects a mission that seems impossible to achieve. We have witnessed small ensembles finesse the vast breadth of "contemporary dance", but classic modern dance and straight-up ballet too? Those extremes — Martha Graham at one end, recent Justin Peck at the other — are the litmus test for this brainchild of Benjamin Millepied, back at the helm after a blessedly short hiatus running the Paris Opera Ballet. On opening night, with the help of 10 pellucid dancers, it passed.

Dressed with casual elegance by Janie Taylor, the performers lowered the psychological heat and heightened the clarity of three Graham duets culled from *Diversion of Angels* and two rarely seen works. In place of theatricality, they brought a keen sense of texture and musical dynamics. Graham's great economy of means — her poetic powers — shone. The dancers accomplished exactly what you would hope for from interpreters late to a choreographer's game: they fashioned her in their own image without losing her to this 21st-century mirror.

The 28-year-old Peck might as well have created *Helix* for his home company, New York City Ballet, given how few concessions he made to the lack of pointe shoes and the less classical foundation of the largely Juilliard-trained troupers. Indeed, *Helix* depended especially on contemporary ballet's leggy breadth and height. In accord with Esa-Pekka Salonen's dense, spiralling 2005 score, the man in each of the ballet's three couples propelled the woman forward, only to catch up with her so she had nowhere to go but up. As the music's turmoil rose, couples gave way to individuals, ejected from the wings in a chaotic, roiling stream.

And was the LA Dance Project equal to the Balanchinean task of speedily devouring space? Yes. Although a bigger stage would have been nice, the only real problem — given the traction the dancers needed — was their socks.

To July 30, joyce.org

Rattles, clangs and free-flowing trumpet

JAZZ

Dave Douglas and High Risk
Pizza Express Jazz Club, London
★★★★☆

Mike Hobart

Hard-edged: Dave Douglas, left, with DJ Shigeto — Roger Thomas

Spiky phrasing, a brittle mid-range and notes soaring into the upper register are hallmarks that trumpeter Dave Douglas stamps on all his projects. Usually their bite and resonance are heard in an acoustic setting, whether celebrating a jazz great or, as on the album *Be Still*, the religious music of his Appalachian roots. But at this gig, a showcase for the new release *Dark Territory*, he delivered a hard-edged mix of the acoustic and electronic. The improvisation flowed just as freely, but now it was fuelled by the rattles and clangs, echoes and sub-tone woofs of underground dance music.

The performance began with phased electronic beeps and a skeletal rattle of percussion. Bass synth entered, long notes playing with the pulse; then Douglas, undoctored, declamatory and downbeat in tone, stated the evening's first theme. He developed the piece with snippets of tune, reveille calls and low-note moans while rhythms snapped and echoed like the further reaches of Jamaican dub. Midway through, the groove tightened with the scratches, throbbing synth bass and backbeats of hip-hop.

Later in the set, muted trumpet recalled electric Miles Davis and eddied through a mist of electronica, there was a hymnal theme, while the ballad "All the Pretty Horsepower" began as a sweet tune over gently strummed bass guitar. But mostly the grooves were tough and urban, with bassist Jonathan Maron a firm but elastic foundation, adding a sense of lineage by hinting at the guitar riff of "Bo Diddley" and quoting the bass line of Marvin Gaye's "Inner City Blues".

Drummer Ian Chang, a feisty and imaginative deputy for the album's Mark Guiliana, propelled the pulse with a whipcrack snare, tugged at time with two-handed rimshots and played crisp breaks with deadened tones that added malevolence. DJ Shigeto's shifting textures supplied a sense of tonality as well as rhythmic impetus, furthering the feeling of unity that this band projects. His multi-layered feature was a throbbing highlight of pealing bells and fractured beeps.

The finale, "Cardinals", featured bittersweet trumpet and resilient beats. "I wrote it two years ago, after the shooting of Michael Brown in Ferguson," said Douglas. "But now, everywhere I go . . . " he tailed off. The encore returned to the razor-sharp beats and complex layers of hip-hop, created, as before, collectively and on the fly.

pizzaexpresslive.co.uk

DANCE

Ballett Festwoche
Opernhaus Stuttgart
★★★★☆

Gerald Dowler

Reid Anderson, one-time dancer with Stuttgart Ballet, now marks 20 years as its director. A 10-day festival celebrated his clear artistic vision and uncanny ability to select, develop and showcase some of the most exciting dancers to be seen. Central to it all are two strands: the upholding of John Cranko's choreographic legacy and the creation of new work.

Stuttgart's Festwoche showed a company still working in the family atmosphere created by Cranko. In his *Romeo and Juliet*, Birgit Keil, one of the artists he nurtured during the 1960s, returned with blazing stage presence to play Lady Capulet, mother to Alicia Amatriain's sleekly virtuosic Juliet, herself a perfect match for Friedemann Vogel's spontaneous, abandoned Romeo. Showcased by the original 1962 production, the two world-class dancers looked like happy company members. Equally, Sue Jin Kang marked her retirement after 30 years with the company with a performance of poetic intensity as Tatiana, partnered by Jason Reilly's troubled Onegin.

Alicia Amatriain and Friedemann Vogel in Cranko's 'Romeo and Juliet'

Stuttgart is famed for its male dancers and Anderson's talent for finding more seems undimmed. Pablo von Sternenfels is a farouche young virtuoso whose Mercutio in *Romeo and Juliet*, and Lensky in *Onegin*, displayed temperament and attack. He debuts next season as Petruchio in *The Taming of the Shrew*, a role played this week for the first time by Constantine Allen, another find: tall, elegant and of impeccable technique.

The Cranko ballets remain the bedrock of the repertoire, but Stuttgart's reputation is also built on the nurturing of choreographers. The company looked equally comfortable in the exaggerated classical idiom of William Forsythe's *The Second Detail*, all dove-grey body stockings and six-o'clock legs, and sailed through Marco Goecke's new-minted, black-clad *Lucid Dream*, all spasms and twitches, blithely mismatched with Mahler. The company's versatility, engagement and strength continue to be Anderson's achievements.

stuttgart-ballet.de

FT SERIES. XI'S CHINA

Part three A swift erosion of civic freedoms has become one of the presidency's defining features, alongside a consolidation of power over politics and the military. Critics fear the climate of repression is denying space for grievances of labour activists, lawyers and even outspoken businessmen to be aired and addressed. *By Tom Mitchell*

'Advocates of civil society want to squeeze the party out of leadership at local level . . . their advocacy is becoming a serious form of political opposition'

Document Number 9, issued internally by the Communist party, in April 2013

'Xi reversed everything. The party approaches management of public opinion as it would a military battle. It is a shame. China's print media is gasping for its last breath'

Hong Zhenkuai, former editor at Yanhuang Chunqiu, which has halted publication

'Things that we could openly discuss before, such as the cultural revolution, are considered sensitive or even forbidden. There was some room for NGOs and rights lawyers. Now all of them have been suppressed'

Murong Xuecun, an author and commentator

'I don't understand why the government doesn't let people vent the way it used to. It relieves some of the pressure and you can see where the grievances are'

Former government official who has now left the country

Smothering dissent

In one of his last interviews before he was detained by Chinese police, Meng Han appeared relaxed as he talked about his work as a labour activist.

"Our most important work is to help factory workers organise themselves so they can defend their rights," he told the Financial Times last year. "The government rarely helps the workers. But as long as the workers don't go to extremes, it will stay neutral."

At the beginning of 2015, Mr Meng could feel reasonably confident that he inhabited, in the context of China's rapidly evolving civil society, a relatively safe sphere. Labour activists, rights lawyers and academics believed that, so long as they did not challenge the ruling Communist party, they could operate without fear of official retribution.

Today, however, Mr Meng is spending his eighth month in a detention centre. He awaits trial on charges of "disrupting public order", an offence that carries a maximum sentence of five years in prison. This month also marks the one-year anniversary of the round-up of dozens of rights lawyers. Most have since been released but the most prominent among them have been formally accused of state subversion — a charge punishable by life in prison.

The chill that has descended across Chinese civil society, especially over the past 12 months, has become one of the defining aspects of Xi Jinping's presidency, alongside his own rapid consolidation of power over the party, government and military. As China's most powerful party and state leader since Deng Xiaoping, Mr Xi has presided over a crackdown without precedent since the repression that followed the 1989 Tiananmen Square massacre.

Even academics and businessmen who thought themselves immune to politics provided they did not wade into sensitive areas are having to reassess their vulnerability.

"Since Xi came to power, China's situation has become more and more worrisome," says Murong Xuecun, a prominent author and commentator. "Things that we could openly discuss before, such as the Cultural Revolution, are now considered sensitive or even forbidden. In the past there was some room for non-governmental organisations and rights lawyers. Now all of them have been suppressed."

In an internal document issued just a month after Mr Xi became president in March 2013 and later leaked, the Communist party identified the very notion of civil society as "an attempt to dismantle the party's social foundation".

"Western anti-China forces and people with ulterior motives within China view civil society as a magic bullet for advancing social management at the local level [and] have launched all kinds of so-called citizen's movements," Document No 9 warned. "Advocates of civil society want to squeeze the party out of leadership at local level . . . their advocacy is becoming a serious form of political opposition."

The belief that people who do not see themselves as challenging the party are nevertheless a threat to its rule has only intensified, especially in an environment where slower economic growth increases the risk of social unrest.

"The biggest threats to state security, in the party's view, are those seen as posing a direct challenge to its narrative and concept of what China is," says Samantha Hoffman, who researches Chinese social controls at the UK's University of Nottingham. "Groups and individuals that have the potential to offer alternative visions of China are seen as a threat to the party state.

"That puts NGOs, journalists, activists, researchers at a much higher risk."

Tightening the screw

Some elements of the "regression" that human rights organisations have lamented under Mr Xi's watch were set in train by Hu Jintao, his predecessor. But Ms Hoffman says there has been a more methodical approach under Mr Xi through the recently approved national security and NGO laws.

"Under Xi Jinping the Chinese government is creating a more coherent legal framework to enforce preservation of the party-state," she says.

"Xi reversed everything," adds Hong Zhenkuai, a historian and former editor at Yanhuang Chunqiu, a traditionally liberal political magazine created by Communist party elders in 1991. "The party approaches public opinion management as it would a military battle. It is a shame. China's print media is gasping for its last breath. The media environment is the worst it has been in 20 or even 30 years."

Mr Hong quit the magazine in 2014, citing an erosion of its "democratic" culture. "The atmosphere was rather free and open," he says. "We hoped it could uncover historic truth and help the Chinese people learn to think rationally." Last week, Mr Hong's former colleagues at Yanhuang Chunqiu halted publication of the journal after the Chinese National Academy of Arts sacked the publisher and demoted the chief editor.

Less than a year after Document No 9 was issued, Xu Zhiyong, a prominent civil society activist whose causes included fair treatment of migrant workers, was sentenced to four years in prison for allegedly "gathering a crowd to disrupt public order".

Staff criticise working conditions at an IBM factory during a protest in 2014 — Alex Lee/Reuters

In May 2014, Pu Zhiqiang, a leading rights lawyer, was detained ahead of the 25th anniversary of the 1989 Tiananmen Square massacre while Ilham Tohti, long regarded as a moderate representative of China's largest Muslim minority group, the Uighurs, was sentenced to life in prison for allegedly advocating independence for his home region of Xinjiang. Mr Pu was released in December last year with a conviction and three-year suspended prison sentence that effectively ended his legal career.

The accidental activist

These individual prosecutions were followed in 2015 by round-ups of dozens of rights lawyers and labour NGOs, the last of which netted Mr Meng, who only became a labour activist by accident. Originally, the 51-year-old was a riverboat pilot employed by a state-owned company in Wuhan, a large city by the Yangtze river in Hubei province. After he was laid off, he moved to Guangzhou in southern Guangdong and found work as a hospital security guard.

His involvement in a labour dispute at the hospital four years ago led to a nine-month prison sentence and, after his release, a job with an NGO that helped workers who felt they could not rely on support from China's only legally sanctioned union, the All-China Federation of Trade Unions. "Labour NGOs do a lot of the work that should be done by the ACFTU," Mr Meng said at the time. "Basically all I do with other workers is share my own experiences with them."

Mr Meng and other labour activists have long argued that their work, which is primarily focused on helping employees secure better terms and conditions at foreign-invested factories, is not only fundamentally patriotic but also aligned with the party and government's own interests. They help defuse tensions before they spill out into the streets.

China's small band of rights lawyers walk an even narrower line than their labour activist colleagues. As the party sought to build a modern, efficient court system — reducing the need for official intervention in all but the most politically sensitive cases — the lawyers believed they had a useful role to play. The authorities might have harboured extreme distrust for their dissident and activist clients but even in show trials, where the outcome is preordained, it is critical that the accused be seen to have had credible legal counsel.

In December, police rounded up Mr Meng and his colleagues at the Guangdong Panyu Migrant Workers Center. The charges against them related to their alleged "manipulation" of labour negotiations at a shoe factory, which was followed by a large strike.

"Labour NGOs in Guangzhou are under immense pressure," says Zhang Zhiru, who runs a workers rights organisation in nearby Shenzhen. "They have been paralysed."

Guangzhou factory staff now face greater risks if they take industrial action and are less likely to count on support from labour NGOs, reducing the pressure on employers for increased salaries. Earlier this year, the Guangdong provincial government froze minimum wage levels for two years.

Business pressure

At the other end of China's social spectrum, its growing private sector was unnerved in December by the brief detention of one of its leading lights, Guo Guangchang, ostensibly to assist authorities in a corruption investigation that was not focused on either him or his Fosun Group conglomerate.

That sense of unease was heightened by the silencing of a prominent real estate developer and party member, Ren Zhiqiang, who dared to question the party's grip on official media. When Mr Xi told state media organisations that they must "speak for the party", Mr Ren dared to criticise the president's comments on his personal Weibo account, which had 38m followers.

The action against Mr Ren reflected the authorities' wariness of Weibo, the country's Twitter equivalent that was once seen as a potentially liberating medium. Censors now seem confident they can use technology to suppress speech more effectively than civil society can use it to speak freely.

Mr Ren's run-in with the party followed revelations about the apparently extrajudicial detention of five booksellers, at least two of whom were allegedly renditioned from Thailand and Hong Kong, which although a special administrative region of China is theoretically off limits to its internal security forces.

"My millionaire friends have been in shock ever since the booksellers' incident because they were picked up outside China," says one prominent Beijing-based businessman, adding that they no longer feel secure even when they have left the mainland.

A senior banker at a British private equity firm recalls his surprise at a recent meeting with five of his Chinese peers — "all money managers, serious amounts of money, impressive track records in Chinese equities and all looking to diversify away from China".

In one sense, the Chinese money managers are simply part of the "great wall of money" flooding out of the country as the world's second-largest economy assumes its place in the global mergers and acquisitions arena. But it was when the conversation took a personal turn that the British banker realised that his fellow dealmakers "were also looking to diversify their kids away from China — they all wanted to send them to study, work and settle overseas".

"I said to them, 'Why would you want to do that?' And one of them said, 'So they can be free'. This was the most accomplished money manager in the room!"

Strength or weakness?

Many argue that Mr Xi's far-reaching crackdown on civil society is short-sighted, dangerous and ultimately suggests that the regime is fundamentally weak and insecure, not strong and confident. "I don't understand why the government doesn't let people vent the way it used to," says one former government official who has since left the country. "It relieves some of the pressure and you can see where the grievances are."

In March, an open letter purportedly penned by "loyal Communist party members" suggested that the repression could have dire consequences for Mr Xi himself. The letter urged the president to resign "out of consideration for your personal safety and that of your family". Even if not authentic, the letter highlighted a surprising new addition to China's political discourse. For the first time in decades, people speak — albeit discreetly — about "assassination risk".

Ordinary Chinese citizens whose day-to-day lives are entirely divorced from politics can also find the current climate oppressive, especially when contrasted with the civil freedoms and democratic culture in Taiwan, which Beijing deems a "renegade province".

"It has been three years already. How much longer can [Xi's] political campaigns go on for?" asks one middle-class professional in Beijing. "I feel like all of China's dreams are being realised in Taiwan," the woman adds, recalling how she and her young daughter watched coverage of last year's landmark meeting between Mr Xi and Ma Ying-jeou, Taiwan's then president, on state broadcaster China Central Television.

After extensive remarks by Mr Xi, it was Mr Ma's turn to speak — at which point CCTV cut the feed.

"My daughter asked, 'But there were two men, why is only one of them talking?'" the woman recalls. "If a child can ask that question, shouldn't everyone be asking that question?"

Additional reporting by Wan Li

FT

China in-depth
For the full series, including the rise of the party in politics and moves to reform the PLA
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Listen online
Kerry Brown, author of *CEO, China*, and FT reporters discuss Xi's regime
ft.com/podcast

A supporter of Xu Zhiyong is detained by policemen outside Xu's trial in Beijing in January 2014 — Kim Kyung-Hoon/Reuters

FINANCIAL TIMES
'Without fear and without favour'
THURSDAY 28 JULY 2016

Britain's premature bid for global trade deals

The UK first needs to decide its economic relationship with the EU

Eager to prove they can forge a new and independent way in the post-Brexit world, Theresa May's ministers have been out and about talking up the opportunities for Britain to forge new trading links around the globe.

Liam Fox, secretary for the newly created Department for International Trade and a longtime Eurosceptic, has been travelling the world in search of bilateral deals for the UK to sign once it has completed its departure from the EU. Mr Fox has claimed some success, with countries such as Australia and the US indicating openness to a future agreement.

However, progressing beyond a vague expression of interest was always likely to reveal the contradictions and uncertainties in the UK government's position. This week, divisions emerged between Mr Fox and Downing Street over the question of Britain remaining within the EU's customs union. Those tensions show that fundamental issues surrounding the UK's relationship with Europe will have to be addressed before the UK can attempt to sign deals elsewhere.

Membership of the EU's customs union — that is, having a common external tariff applied to imports from the rest of the world — is a separate issue to membership of its single market. Norway, for example, is a member of the single market but not of the customs union, enabling it to protect some of its producers with higher tariffs than allowed in the EU. If it wants, Norway can also sign trade deals with third-country governments permitting imports at lower tariffs.

However, in order to prevent countries such as Norway becoming a back-door into the EU market, Oslo is obliged to apply complex "rules of origin" to its exports, ensuring that they have substantially been made in Norway rather than imported from, say, China and re-exported to the EU. This, plus the need to comply with customs paperwork from which EU countries are exempt, imposes considerable costs on Norwegian companies selling goods to the bloc.

For Norway, whose exports are dominated by primary products like crude oil, this may not pose too great a hardship. For the UK, whose goods exports are generally more complex and involve the use of imported inputs, they could prove a serious handicap. On the other hand, if the UK stays inside the EU customs union and is forced to apply the same tariffs as the EU, that will in effect preclude it signing any meaningful trade deals involving goods trade with any other economy.

Mr Fox is certainly right that the customs union question needs to be resolved before the UK can enter into any serious negotiations over non-EU bilateral trade deals. But that will involve Mrs May's government first deciding how hard a Brexit it wants, most likely including whether it wants to be part of the European Economic Area and hence the single market, which will make it subject to a different set of restrictions. It will then have to negotiate with the EU and its member states to try to turn those wishes into reality, a process that will take years, not months.

Mr Fox's appointment owes much to the political imperative of installing Brexiters in senior posts in the government. Mrs May executed an artful move to make Leavers jointly responsible for the Brexit policy. But no cute manoeuvre can obscure the hard questions about the terms of divorce and the future relationship between the UK and Europe. By pursuing non-EU trade deals before the policy is set, Mr Fox's enthusiasm risks putting the bilateral cart before the EU horse.

After the power plays, Xi must now reform

The new economy China needs cannot be built on production targets

When he ascended to the apex of the Communist party in late 2012 most people in China and abroad assumed Xi Jinping would provide more of what had come before — consensus leadership, competent economic management and very gradual political liberalisation. He has defied all expectations.

From almost his first day in office as president, Mr Xi has pursued a radical centralisation of power backed by an anti-corruption campaign that has ensnared political rivals and those who question the new order. He has overseen what human rights groups describe as the most repressive crackdown on free speech and dissent in decades and sought to root out the fragile shoots of civil society wherever they sprout.

Given his decisiveness in battling corruption and dissent, Mr Xi has been surprisingly hesitant when it comes to economic reform. In the face of slowing growth and an increasingly obsolete economic model, the government did a good job of diagnosing the problems in late 2013 when it unveiled 340 reforms to address them. Unfortunately, many of these initiatives have still not begun and a closer examination shows some were contradictory to begin with.

In the early stages of his tenure, western politicians and business people were mostly willing to accept Mr Xi's consolidation of power as a necessary precursor to economic reforms. But the chaos of last year's bungled stock market rescue and currency devaluation and the apparent backsliding on much of the reform agenda has left investors disillusioned.

The most important question in China today is what Mr Xi intends to do with the power he has amassed. His administration has already acknowledged that the mobilisation of investment and infrastructure construction that has driven decades of spectacular growth is no longer enough to keep the economy going. The authoritarian, centrally planned governments that have ruled China for millennia have always excelled at exactly this sort of mobilisation. It is how they built the Great Wall, the Grand Canal and, more recently, the shining skyscrapers of Shanghai, Beijing and Shenzhen.

However, the kind of growth Mr Xi says he wants now — green, innovative, focused on services and consumption — cannot be forced into existence with production targets in a command economy. Civil liberties, the freedom to challenge orthodoxies, strong rule of law, consumer protections, respect for intellectual property and a strongly engaged citizenship — as opposed to brittle nationalism — are all necessary elements for the innovative and modern economy China now needs.

For Mr Xi and the Communist party all these things would require relinquishing some power and control over society. This is unlikely to appeal to a leader who has closely studied the fall of the Soviet Union and concluded that Moscow's fatal mistake was to allow political reforms and "western" ideas to seep into the country.

In the eyes of many in China, Mr Xi's rejection of "universal values" such as democracy, freedom of speech and constitutional government has been vindicated by the apparently chaotic results of democracy elsewhere — from Brexit in the UK to the rise of Donald Trump in America. But for the sake of the economy and long-term political stability, the Communist party should now begin the process of gradual reforms to lay the groundwork for an independent judiciary and more checks and balances in politics. Mr Xi could avoid the dirty d-word (democracy) and call these reforms part of the "great rejuvenation of the Chinese nation". It would be his greatest legacy.

Letters

Email: letters.editor@ft.com or
Fax: +44 (0) 20 7979 7790
Include daytime telephone number and full address
Corrections: corrections@ft.com

Be reassured by the Turks' democratic reflex

Sir, Although your editorial "Turkey faces risk of institutional collapse" (July 22) points to the obvious fact that President Recep Tayyip Erdogan "must avoid confrontation and work to rebuild unity", you fail to grasp and relay the true situation in Turkey and the sincere feelings of the people of Turkey.

First, Turkey is united in a way that it has never been in the past 80 years. Second, the people, whether they like Mr Erdogan's political stance or not, sincerely support him as their elected president in his quest to eliminate the current threat posed by this secretive organisation to Turkey's future as an independent and prosperous democratic country integrated with the rest of the world in peace.

In order to understand the gravity of the situation, recall the scenes from the film *London Has Fallen*. Chelsea Bridge is detonated; the Queen's Guard start shooting at the civilians in front of the Buckingham Palace; Big Ben and the Palace of Westminster are damaged in a bomb blast. On July 15 2016 that is what we saw in Turkey, only not in theatres but live on the streets.

The Bosphorus Bridge was closed to traffic by tanks accompanied by troops who attempted a coup d'état against the elected government. Unarmed protesters were shot and killed at the very same spot connecting Asia to Europe. Tanks rolled on the streets, over people. Fighter jets bombarded the House of the Grand National Assembly, the Presidential Palace and the police headquarters. A squad was sent to assassinate the elected president. The attempt failed leaving behind more than 240 dead and more than 1,500 wounded. Thanks to God and thanks to Turkish citizens' democratic reflex, *Turkey Has NOT Fallen*.

I just want you to empathise more before stating any concerns about a tightening authoritarian screw in Turkey. This democratic reflex of the citizens of Turkey should be viewed as a guarantee by itself that they will not give way to any authoritarian rule. It may be a cultural difference that people in the east have more of an adoration for their leaders than westerners do. However, this should not be confused with an unquestioning submission.

Tayfun Özkan
Istanbul, Turkey

A successful industrial strategy will use both carrots and sticks

Sir, Sir Geoff Owen, in "Industrial strategy — a long and unhappy story" (July 21), states in categorical terms that "the history of state intervention is a disappointing one". Historians, however, are not quite so certain. There is, for example, much evidence that ties the aggressive policy actions of Britain's mercantile state to its early industrial revolution, while more targeted policy efforts, beginning with the visible hand of Alexander Hamilton, set the US on its path to global industrial hegemony. More recently, the east Asian miracle economies, from postwar Japan to post-Mao China, have been serial users of active industrial policy.

There have been plenty of policy slippages and mistakes in all these cases but this is not in itself grounds to dismiss the targeting of specific sectors. All policymakers are doomed to target at some level, whether subsidising the financial sector through low interest rates, attracting foreign investors through favoured tax regimes or boosting the balance sheet of selected companies through selling them state assets. Probably, the more important question to ask is, why have some states been able to drop failed policy experiments while in other places these have persisted for too long? There is no simple answer but success stories do appear able and willing to use both carrots and sticks in aligning the private interest of companies with the social goals of governments. Discipline is key to good industrial strategy. Whether or not the institutions of the British state, as currently constituted, can pursue such an approach is an important question that all political parties will need to ask.

In the end, Sir Geoff offers some sensible advice: "No quick wins can be expected from industrial strategy." And this certainly applies to his own suggested strategy to "create a business environment that encourages investment by foreign as well as UK companies". After all, attracting FDI has been at the heart of UK economic strategy for at least two decades. And on one level it has been very successful; the stock of inward FDI has been on a strongly rising trend during this period and now stands close to 60 per cent of gross domestic product, yet there is little evidence that this has crowded in other productive investment, given that gross fixed capital formation as a share of GDP has been on a steadily declining trend in this same period, and is well below the level in similar OECD economies that have a lower stock of FDI.

Fortunately, and as the UK takes leave of its European senses, there are plenty of non-European experiences it can turn to in designing a better industrial strategy. And, as it turns out, learning from others is a second successful ingredient in designing good industrial strategy.

Richard Kozul-Wright
Director, Division of Globalisation and Development Strategy,
United Nations Conference on Trade and Development (Unctad),
Geneva, Switzerland

'Don't move — there's a Pokémon on your shoulder'

Lowering UK interest rates would be pointless

Sir, There are strong grounds for believing that to heed calls for a reduction in UK interest rates would be quite pointless and possibly damaging. Post-referendum, investment is far more likely to be influenced by the absence or otherwise of "animal spirits" than by what — if rates are not to become negative — would necessarily be no more than a very small downward and therefore inconsequential adjustment in the nominal price of money.

Against this is the risk that, until the post-referendum economic environment becomes clearer, monetary authorities will simply appear desperate. Moreover, if the cut were to weaken sterling further, it is quite conceivable that our high propensity to import would simply exacerbate a poor current account position.

Prof R Rothschild
Lancaster, UK

Ignoring (or mocking) EU is a members-only luxury

Sir, Jim Brunsden and Alex Barker, in "City of London eyes 'equivalence' as post-Brexit link with EU" (July 26), make the point that relating to the EU on the basis of "equivalence" will be much more time-consuming and complicated than what the City is used to. But that is true across the board.

An official in Brussels told me that he follows EU affairs in the Swiss media, which report every twist and turn in detail, to help their audience keep track of what the country cannot influence or control. Ignoring what goes on in the EU, or responding with eye-rolling and mockery, are luxuries available only to people in member states.

It is one of the many ironies of Brexit that when it comes to following EU policies, the UK has opted for more Europe, not less.

Owen Kelly
Edinburgh Napier University Business School, UK

Playing catch-up

Sir, You report on your front page that Americans are no longer the tallest people in the world ("Dutch men and Latvian women enjoy the best view of global growth spurt", July 26).

That puts a whole different spin on the slogan "Make America Great Again".

Maarten van Hasselt
Dutch man living in Houston, TX, US

The biggest pest of all

Sir, Further to "Possums and rats on borrowed time in huge pest cull" (July 26): if the prime minister of New Zealand wants to eradicate all non-native predators in his country by 2050, what is he planning to do with the humans?

Giles Dixon
Richmond upon Thames, Surrey, UK

Nigeria's plan to clean up the oil-polluted delta is not ambitious enough

Sir, It seems like only yesterday that Nigeria was the "darling" of investors in Africa, Nigerians were the second-highest consumers of champagne (after the French) and luxury car dealers were opening swanky showrooms in Lagos and Abuja. How times have changed: "Former militants heed Avengers' call" (July 19); "Nigeria's oil producing delta on the brink" (editorial, July 20); "IMF forecasts Nigerian economy will contract by 1.8% this year" (FT.com, July 19); "Naira's dive fuels pressure for rates rise" (July 26).

President Muhammadu Buhari was elected last year on the promise of cleaning up one of the world's most corrupt governments, but finds himself firefighting violent uprisings on several fronts while dealing with the country's worst economic conditions in decades. The FT's view that "ultimately, Nigeria's economy needs to be radically restructured" and that the Niger delta needs "a viable economic master plan with recognisable milestones" could apply to most of Africa and its degraded ecosystems, but considering the explosive situation in Nigeria, it seems more urgent in the delta than anywhere else.

The first "recognisable milestone" in any "master plan" may have been reached on June 2 when President Buhari launched an international $1bn delta clean up. But this is not the first "clean up" and there is no guarantee that this time will be any different from past attempts.

A major weakness in this ambitious, top-down project is that it is not ambitious enough. If it is going to take "20 to 25 years" it needs to be part of larger, more integrated river delta regeneration plan including infrastructure, energy, transport, agriculture, fisheries, education, health, ecology and so on. The government, oil companies and UN engineers who have devised the current plan need to work with multidisciplinary teams from other sectors to create a viable "mega-green" project for a long-lasting solution that could be a model for Africa's radical restructuring.

If it can work in the Niger delta it can work anywhere. Nigerians are often said to be the most dynamic people in Africa. Now is their chance to prove it.

Michael Street
Noto, Sicily, Italy

Let companies lobby for reform in India

Sir, I appreciate the reminder from Gaurav Dalmia on the unfinished business in India ("Reform in India is unfinished business", July 25). I take issue with his conclusion that the "answer lies almost entirely in India's hands". Prime minister Narendra Modi, a huge disappointment to date on the issue of reforms, is well known for being particularly sensitive to business views. So I believe the answer lies mostly in the hands of Indian business groups such as Dalmia. Rather than lobbying for their individual businesses, it would be extremely helpful if they lobby for the country's interests and push for change. In the long run, everyone would stand to gain.

Ritha Khemani
Washington, DC, US

A cold war classic, revived with a new script

Notebook
by Roula Khalaf

When I first moved to the US for university, friends back home in Beirut would often ask what America was like. "The way you see it on television", was my shorthand answer, one that I suspected elicited images of Woody Allen neurosis meeting Rambo machismo. A few years into my American life and I had changed my tune. "Nothing like the way it's portrayed on television", I used to say.

Over the past few months, people around the world watching the unlikely rise of reality TV star Donald Trump could be forgiven for thinking that America was indeed imitating Hollywood movies. Lately, and amid a mysterious alignment of interests between Mr Trump and Russian President Vladimir Putin, some might be wondering whether the Republican nominee for president was acting in a fresh take on the plot of *The Manchurian Candidate*.

I'm not suggesting that Mr Trump should be compared to the character of Raymond Shaw in that classic film. Sergeant Shaw, you might recall, was the sleeper agent unconsciously implementing a communist plot to dominate the US. When he discovers that he has been programmed to assist in a coup d'état, he turns the tables on his masters.

But a series of curious events surrounding Mr Trump's candidacy do make for a perfect conspiracy theory. They would deliver a captivating new adaptation of the 1962 movie (there's already been one remake in 2004). Perhaps someone should be writing the script. Salman Rushdie, the novelist, has hinted at an interest, though American thrillers with Russian spies, beauty queens and love affairs are not his style. On Bill Maher's HBO show last year, Mr Rushdie joked that Mr Trump was the Manchurian candidate planted by the Democrats to infiltrate the Republican party and destroy it from within. Given more recent events — specifically the turmoil in the Hillary Clinton campaign following the leaking of National Democratic Convention emails obtained by suspected Russian hackers — there is prospect for a more tantalising plot. It would cast Mr Trump as an agent inserted by Mr Putin to take over the White House and bring down the US.

Imagine all the colourful roles. First there's an outrageous, egocentric businessman running for president. He promises to get on well with a Russian leader and shares, though in the interest of making America great again, the Russian ambition of demolishing Nato and leaving Baltic states exposed to Russian aggression.

Second, there's the candidate's campaign manager who, it turns out, once worked for a pro-Russian Ukrainian president. The latter had been ousted two years earlier in an uprising that was celebrated in Washington and so infuriated the Russians that they dispatched forces to invade Ukraine. This plotline provides convenient scenes of fighting and bloodshed.

Third, there are cyber warriors who use their hacking skills in a new geopolitical game. They partner with WikiLeaks to influence the American presidential election by wreaking havoc within the DNC at the most opportune time: as it prepares to nominate its candidate for president.

Fourth, and because a good political thriller would be even better with a financial twist, there are wealthy Russians who had been doing deals with the TV star-turned-presidential contender when he was still a real estate mogul. A few scenes of money exchanging hands in dark smoky rooms, ostensibly for property sales but in reality (though without the knowledge of the main protagonist) for the purpose of advancing a political career, would give the film an extra layer of intrigue.

Is there a happy ending, where the bad guys lose and the good guys triumph? I can think of a couple of options. The lead actor's rival wins the election, for example, and the loser discovers he was a mole and fades into a long and deep depression. Or the Trump-style character wins, but once ensconced at the White House, finds out that he had been manipulated all along and takes revenge on the Russians.

And there is always the sad ending, in which the bad guy wins, becomes a Russian stooge and goes on a war path against Moscow's enemies. While that may be possible in real life, it will not do for the movie.

roula.khalaf@ft.com

Comment

Relax about robots, worry about climate change

TECHNOLOGY

Robin Harding

An oddity about the gangs of robot labourers that are supposedly about to take our jobs, leaving humanity to watch daytime TV and survive off a universal basic income, is that people who make robots for a living tend to talk them down.

Junji Tsuda should know. His company, Yaskawa Electric, sells $3bn worth of robots a year to car factories. "The robot brain is developing incredibly fast. The biggest problem is the hands that do the work," he said last year. "They're not going to develop on an exponential curve, like computers. It's going to be linear, steady growth."

These android dreams reflect a mistaken belief that "technology" advances rapidly, and so any and all technological problems will find their solution in a reasonable span of time. Robots exist; technology is developing fast; therefore robots will soon take over the world.

This logic is wrong. In fact, different technologies advance at different speeds and for different reasons, linked to the physical reality of the way they work. Misunderstanding this leads to bad economic policy, unwise investments and, not least, complacency about how to deal with climate change.

True breakthroughs — moments of wonder such as the discovery of graphene in 2004 — are impossible to predict. But the advance of existing technologies can proceed steadily enough to spawn "laws". Moore's law is the most famous: the number of transistors on a computer chip, and therefore computing power, doubles every two years. There are similar rules for other technologies.

Take batteries as an example of how the pace of progress can vary. The energy stored per gram of battery has been improving by an average of 4 per cent a year for more than a century. By contrast, the number of transistors per computer chip has risen by 38 per cent a year for the past four decades or so, consistent with Moore's law.

The management scientist Jeffrey Funk sets out some underlying mechanisms for these advances. Certain technologies rely on developing new materials; some on steadily scaling up a device, and others on steadily reducing the size of a device. In each case there are sharply different implications for how fast the technology will advance.

> The big lesson is that we cannot sit and wait for innovation to save us from global warming

Batteries belong in the first class. They look today much like they did a century ago but the material used has changed, slowly, from lead to nickel to lithium. This is a reason to question the future of electric cars and keep open the option of developing fuel cells instead.

Robots are systems rather than technologies but their physical aspects are similar to batteries in the sense that progress is not a matter of scaling. A robotic arm needs to be of a certain size. These technologies can only advance by getting better, not larger or smaller.

A second class of technologies gets better as they get bigger. The cost of a pipe depends on its radius but the amount able to pass through it depends on the radius squared, so chemical plants grow more efficient with increased scale. Passenger jets — basically big metal tubes — work the same way. Hence the 555-seat Airbus A380.

Wind turbines perform better at a bigger scale. Rather than struggle to build a lot of small ones on land, it may make more sense to invest in developing larger models and build them at sea.

The third class of technology — computer chips, optical data storage or the technology underlying genome sequencing, for example — improves as it gets smaller. Put simply, if you can halve the height, width and depth of an object then you can fit eight times as many of them in the same space.

Technologies linked to computing, such as artificial intelligence, have the greatest potential for rapid advance. It is easier to imagine driverless cars routinely on the roads in the near future — largely a computing challenge — than it is to imagine robots on the pavement next to them. Computers may displace a lot of drivers but it will be harder for robots to displace the postal workers.

One lesson, then, is that we need to calm down about androids. But the big lesson, at policy level, is that we cannot sit and wait for innovation to save us from climate change. Relevant technologies such as solar, wind and, especially, batteries do not have the potential for exponential advance. Rather, we need to invest in new ideas while using carbon taxes to force less efficient green technologies into use now.

Imagining new technologies — as Philip K Dick did in his 1968 novel, *Do Androids Dream of Electric Sheep* (filmed as *Blade Runner*) — is a part of inventing them. Pinning our hopes on a sudden leap in the technologies we know is more likely to deliver the post-apocalyptic world in which that story is set.

robin.harding@ft.com

Brexit Britain needs a healthy dose of stimulus

ECONOMICS

Chris Giles

Is Britain's economy sliding into recession? The short answer is that no one knows. Uncertainty, however, is no excuse for ducking important decisions and the Bank of England must decide what to do about Brexit next week.

The starting point is a UK economy growing faster than expected in the second quarter, at 0.6 per cent. With global growth rates also improved and financial markets shrugging off the initial shock of the Brexit vote, fears of a catastrophic global crisis can be banished. A stronger global economy will naturally help but also means Britain cannot credibly threaten to bring down the EU if European politicians reject the UK government's Brexit wish list.

Hard facts regarding the post-referendum UK economy are scarce. Retail appears only a little subdued, tax revenues remain weak and the picture for property sales looks bleaker in central London than the rest of the country. More abundant surveys of households and companies have been dire, whether they have sought to measure attitudes to Brexit or early indications of output, orders and exports. The surveys point to a recession but they are sometimes a false friend to economists.

Against this backdrop the BoE's Monetary Policy Committee has to decide whether to seek an economic stimulus to keep inflation as close as possible to the 2 per cent medium-term target and output as close as possible to sustainable levels. One response, suggested by the MPC's Kristin Forbes, is to follow the British edict from the second world war to "keep calm and carry on". But the evidence of a significant confidence shock, which threatens to lower corporate investment and raise household saving rates, argues more persuasively for a monetary stimulus to limit any preventable economic damage.

> There is a strong case for the Bank of England taking action to limit preventable economic damage

The risks of too much stimulus generating too rapid growth and inflation are minor relative to those of standing by as the economy slides. With the risks involved, it is better to act decisively or, as Andy Haldane, BoE chief economist, puts it, "to run the risk of using a sledgehammer to crack a nut".

With the BoE reluctant to set a negative interest rate, it cannot cut its policy rate by more than 0.5 percentage points; the right action involves a package comprising a rate cut, restarting quantitative easing and expanding the Funding for Lending Scheme.

Clear communication of the economic situation and policy intentions should help prevent an impression of panic at the central bank, even though everyone knows there are many legitimate questions about the effectiveness of these monetary tools. In any case, monetary policy works on output and inflation with a delay, so action on August 4, when the MPC next meets, will struggle to prevent a downturn which was already on the cards. Companies take time to reverse mothballed investments.

The other imperative for action cannot be spoken by the bank's officials. The BoE must be seen to act decisively to cover its back. The institution needs a defence against possible accusations from Brexiters that it was seeking the downturn it had predicted before the referendum. Such a course from the MPC is likely to bridge the policy gap between now and November when the government will decide whether there is a need for additional fiscal stimulus.

No one should be under any illusions that monetary or fiscal stimulus solves Britain's Brexit challenge. All the most serious threats to prosperity come in the longer term through redundant investment linked to Britain's membership of the EU, lost skills from more restrictive migration policies, weaker competition and a more inward looking and backward attitude. Necessary as they are, monetary or fiscal policies cannot boost the UK economy's supply capacity.

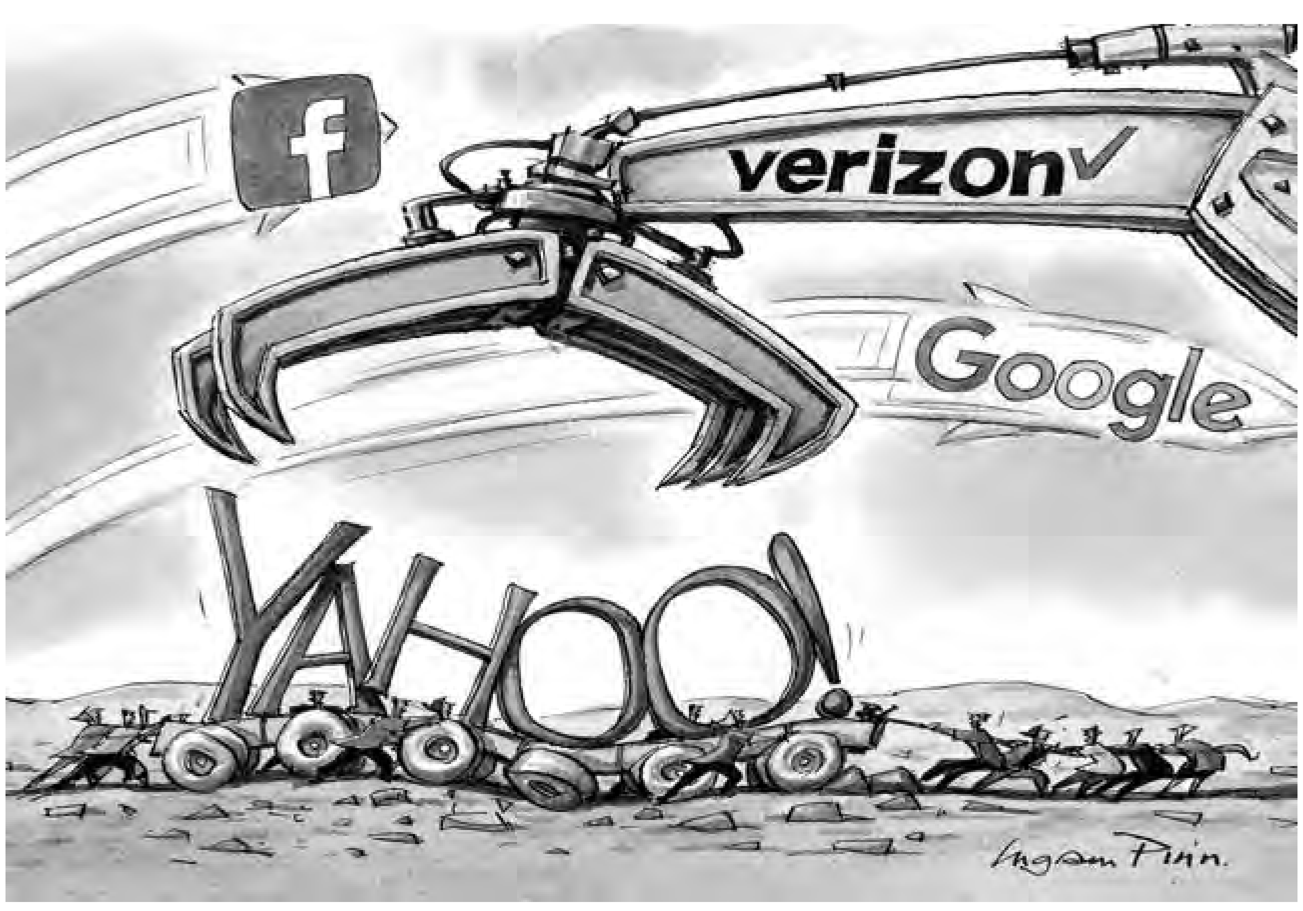
Brexit is likely to hurt and the BoE can offer only an anaesthetic for the pain.

chris.giles@ft.com

Yahoo was all too human for the internet

BUSINESS

John Gapper



As Marissa Mayer announced the $4.8bn acquisition of Yahoo's operating business by Verizon, the US telecoms company, she gave a eulogy to the company she has headed for four years. Yahoo "humanised and popularised the web, email [and] search", she said.

It was a backhanded compliment, given that less "universally well-liked companies" have overtaken the enterprise with the exclamation mark in two decades, including Alphabet, Facebook and Amazon. Ms Mayer identified the problem: Yahoo started as a link directory compiled by its founders and remained all too human.

Yahoo's valuation grew to $128bn in spring 2000 because of investors' faith that human curation could beat search engines — people browsing on slow dial-up lines needed a human interface. But technology triumphed over humanity. The internet was more powerful than they imagined and all that was left for Yahoo was likeability.

One example of how far things have come since Yahoo was founded in 1995 is Elon Musk's "Master Plan, Part Deux" for Tesla, published last week. The electric car company's founder envisages vehicles that will not only drive themselves but will also form part of an automated fleet in their down time. "Enable your car to make money for you when you aren't using it," he concludes.

Mr Musk's vision, two decades after Yahoo's directory seemed a better bet than Google, is still improbable but it is no longer inconceivable. The internet has turned out to be not merely a bunch of computers strung together across a network but much, much more. It has been constantly upgraded by mobile broadband, global positioning technology, smartphones, cloud computing and artificial intelligence.

The group of innovations bundled together and labelled as "the internet" proved to be a general purpose technology similar to the steam engine and electrification. It has had a deep, disruptive effect on many industries and is likely to keep doing so for some time to come.

Yahoo's problem was that it was on the wrong side of the human-technology divide from inception and never found a way back. The closest it came was in the mid-2000s, when Terry Semel, one of its parade of chief executives, acquired Inktomi, AltaVista and Overture in a failed attempt to compete with Google's algorithms.

Ms Mayer's appointment was another attempt to cross the chasm, since she came from Google. In practice, the best she could do was to trim some of Yahoo's inefficiencies and adapt its ragbag of products, from Yahoo Mail to mobile to entertainment and news.

The voracious maw of technology is apparent in this deal. Verizon has now acquired Yahoo and AOL, two of the internet's original big names. They are joining a utility that increasingly sells broadband data connections. Yahoo was the internet equivalent of a phone book and is becoming part of a phone company refitted for the internet.

The story of technology dominating humanity and taking most of the reward is common across the internet. Facebook's content is largely provided by users yet the value accrues to the company and its network — it has a market capitalisation of about $348bn, which equates to the price of 72 Yahoos. Amazon cuts prices by squeezing suppliers, including publishers, and is worth the same as Facebook.

> Each new wave of technology eventually turns into a routine utility, and that is its Achilles heel

But technology has an Achilles heel. Although each new wave creates and captures huge profits in the early stages, when it is new and wondrous (consider the 19th century railway booms), it eventually becomes routine. Telephones were once incredible machines but today voice calls on fixed lines are at best a commodity in a world where mobile video streaming is free.

Nicholas Carr, the technology writer, says the shift from personal computers to cloud computing is akin to the late 19th century switch from electricity being generated locally to being delivered across power grids. The data centres built by Verizon, Facebook, Amazon and others are far more powerful than what preceded them. They also turn on-demand computing and access to data into a utility.

There is a hint of this in the Verizon-Yahoo deal. Although a combined Yahoo and AOL, which includes 25 brands such as the Huffington Post and TechCrunch, is likely to contribute only about 5 per cent of the merged entity's revenues, it could provide growth. Verizon's core telecoms business is large and generates a lot of cash but its revenues have fallen this year.

Other internet and communications companies have also bolstered their revenues with media content fashioned by humans. Comcast, the US cable company that competes with Verizon, took full ownership of the film, TV and music group NBCUniversal in 2013. Netflix has been pouring billions into commissioning original drama and documentaries.

Since Yahoo's creation, human activity has steadily been replaced by networked computers that perform tasks more cheaply and efficiently. In some cases, such as self-driving cars, this process will continue. But new technology is also merciless on itself: eventually, it turns into a utility. Unfortunately, Yahoo could not wait that long.

john.gapper@ft.com

Why France is the jihadis' prime western target

OPINION

Jonathan Fenby

Why France? Why has the home of the Enlightenment, of liberty, equality and fraternity become the prime western target for terrorists acting in the name of Isis?

The more determined President François Hollande sounds in declaring "war" on terrorism — as he did again after the murder on Tuesday of Jacques Hamel, an 85-year-old Catholic priest, made to kneel in his church before having his throat cut — the worse the threat appears to become. The state of emergency declared after the slaughter in Paris last November has not prevented further atrocities, including the deaths of 84 people in the Bastille Day attack in Nice or the stabbing of two police officers in front of their three-year-old son.

The medicine applied by the government since the attacks on the Charlie Hebdo magazine and a Jewish supermarket in Paris in January 2015 has clearly not been effective — although Manuel Valls, the prime minister, says that 15 attempted attacks have been thwarted since 2013. The opposition has suggested some radical measures but the basic question as to why these attacks keep happening has yet to receive a plausible answer.

Mr Hollande maintains that Isis targets France because it wants to destroy the values of civilisation the country embodies. That is no doubt true, though other western nations exhibit the same way of life denounced by the extremists.

Rather, a concatenation of several factors helps to explain why France remains the jihadis' favourite target. To start with, the bombing of Isis bases inevitably attracts a response. This is the price of the firm action that Mr Hollande has espoused but which has not slowed down the pace of terrorist attacks on French soil.

Then there are the radicals of north African descent who have left France for Syria and Iraq, and are reliably reported to hold important positions in the Isis command structure. They are said to have maintained links with the "soldiers" who went to the Middle East and then returned to France to perpetrate the attacks in Paris last year.

Isis planners also appear to see an opportunity to drive a wedge between those in France, like Mr Hollande, who reject the most hardline security policies in the name of republican values, and those who call for Israeli-style measures. The potential for fostering political, ideological and indeed ethno-religious conflict ahead of next year's presidential election is considerable.

> Isis sees potential for fostering political, ideological, ethnic and religious conflict

Mr Valls said that the aim of those who murdered Father Hamel on Tuesday was to provoke a "religious war" in France. If there are economists in the Isis high command, they may also be counting on the attack to hit France's status as the world's leading tourist destination. Air France, reporting a 5 per cent revenue drop this week, pointed to "special concern" about the country among travellers.

There is also a more longstanding reason why such factors have come into play so powerfully in France. Twenty years ago, I spent time on some of the suburban housing estates that encircle Paris. The alienation — captured in Mathieu Kassovitz's seminal 1995 film, *La Haine* — of the young people who lived on these estates, many of them immigrants or the children of immigrants, was striking even then. It has only intensified since as high levels of unemployment and crime have dogged the *banlieues*.

Successive governments have failed to get to grips with the grievances of the children of the north Africans who came to France in more prosperous times. Neglect has been the order of the day. When, around the turn of the century, I raised the problem with ministers, they waved it away. "Those young men have only to become good Frenchmen," one official remarked.

As a result, the gap between the France that holds itself up as a shining light for the rest of the world and the reality of life on the estates has deepened. The result is a rejection of the republic by young people who feel it is at best irrelevant to them, and at worst actively hostile. This, in turn, creates a climate in which a man like Mohamed Lahouaiej Bouhlel, the Nice killer, finds a home for his turbulent instincts in Isis propaganda.

After the Charlie Hebdo attack, Mr Valls spoke of "territorial, social and ethnic apartheid" in France and "unbearable discrimination". Now he and Mr Hollande strike a more martial tone. But the drumbeats emanating from the Elysée obscure the fundamental reason that France is now in the grip of this reign of terror: the state demands allegiance to its lay republican principles, including the ban on Islamic veils in public places; but a minority of the population rejects that demand, sometimes violently. The tragedy is that, while the problem can be identified, the solution grows ever more elusive.

The writer is author of 'The History of Modern France', newly published in paperback

Lex.

Twitter: @FTLex **Email:** lex@ft.com

Apple: song and dance

In the hit online video show, *Carpool Karaoke*, a celebrity sits in a car rolling down the highway and belts out some rock or hip-hop anthem (its latest viral sensation features Michelle Obama's rendition of Missy Elliott's "Get Ur Freak On"). On Tuesday, Apple purchased the rights to the show as it tries to lessen its dependence on selling iPhones. But, third-quarter results released after the bell suggest the slowdown in hardware sales may not be as grim as initially feared.

Concerns about declining gadget revenue have driven Apple's shares down 8 per cent so far this year. In April, it reported the first decline in sales of iPhones, which account for two-thirds of revenue. It followed that up with another quarter of decline; 40.4m iPhones were sold, a decline of 15 per cent in volume and 23 per cent in revenue — there was a bigger fall in the latter because of the lower price of the iPhone SE, which also brought down the company's keenly watched gross margin to 38 per cent.

Still, that revenue figure was slightly higher than expected and the market seems to understand that the company is caught between the soaring 2015 achievements of the iPhone 6 and the 2017 release of the next generation.

Often when a company's core offering is fading, it will try to misdirect to some newfangled doodah that is years, at best, from being a meaningful contributor. Ignore the watches, cars and televisions — for Apple, the pivot is the Services unit that sells streaming music and other entertainment as well as cloud storage. Tim Cook, the company's chief executive, says that with over 1bn Apple devices circulating, selling content such as Carpool Karaoke could itself be a massive enterprise. With $6bn of revenue in the third quarter, Services has developed into a big business, already representing more than a tenth of the company's revenue. Mr Cook pointed out that if its growth trajectory is maintained, by next year it would rank as a Fortune 100 company.

Apple's business for 2016 will have shrunk about 8 per cent based on its revenue forecast for the fourth quarter. It may be that the worst fears about a declining Apple are now unfounded. But amid stiff competition in Asia and a choppy global economy, Apple enthusiasts, even after a surprisingly upbeat quarter, should refrain from bursting into song.

Santander: jam today

In Spanish, *mañana* indicates a laid-back attitude to anything requiring urgency. Like balance sheet restructuring at European banks, say. Not a word to be uttered around Santander, the biggest Spanish bank by assets, which has been more successful than most in putting its house in order.

Unlike rivals with big investment banks or concentrated markets (and more volatile earnings), Santander touts itself as a low-risk retail and corporate bank with geographically diversified earnings from South America to the US and Europe. The strategy has worked. When Brazil, then its largest market, fell into recession in 2014, the UK and Spain picked up the slack, and annual pre-tax profits rose a tenth the following year. Investors have noticed; Santander's shares have outperformed the Eurofirst 300 banks index by 8 per cent over the past three years and by 12 per cent so far this year.

Now it is Europe weighing pre-tax profits down — they fell 5 per cent year-on-year in the first half — but the bank is betting on Brazil returning to growth next year. Its forecast for economic expansion there is almost double the market consensus.

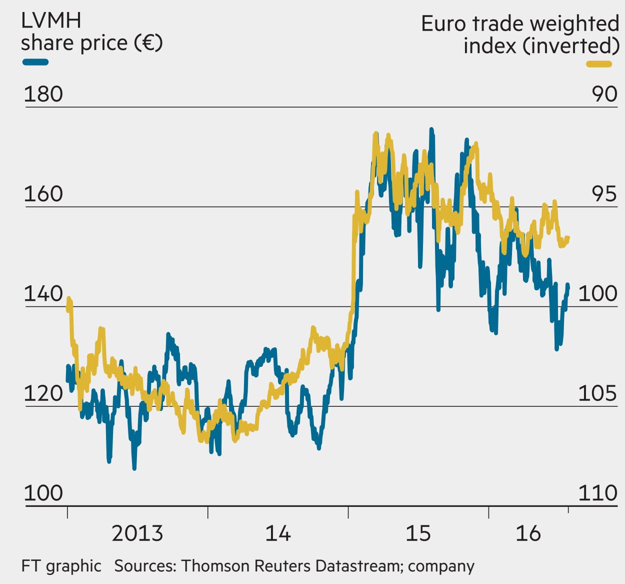
It could certainly do with a fillip. Total net interest income has fallen for the past four quarters, with sagging demand for credit. The UK has been a relative bright spot, accounting for 20 per cent of underlying interim profits, up from 16 per cent in 2009 and replacing Brazil as the biggest single source of underlying profits.

The problem is not just that the UK's economic outlook has worsened post-Brexit. It is that Santander, with its popular 1-2-3 current account, pays higher than average deposit interest, leaving it more susceptible to margin compression if interest rates fall. The bank counters that it could cut rates by more than rivals and, in any case, it thinks any UK downturn will be brief.

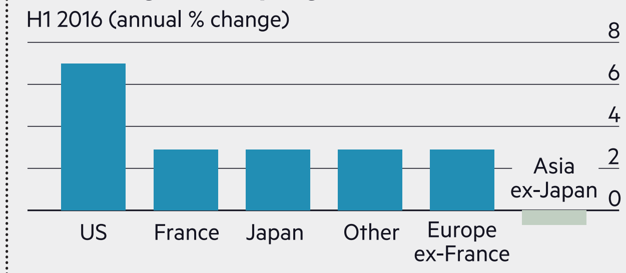
If that proves over-optimistic, or if the expected emerging markets recovery fails to materialise, action will be needed *ahora* rather than *mañana*.

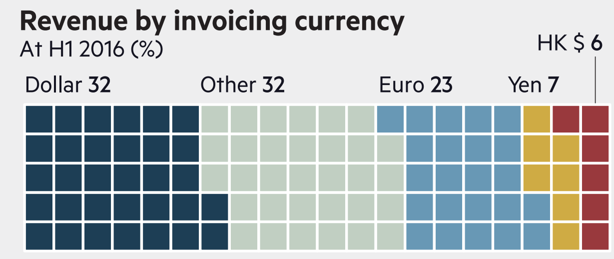
Luxe redux

LVMH operates a highly diversified business in terms of geography and product offering. While this reduces exposure to individual product revenues, other risks such as currency exposure are significant



FT graphic Sources: Thomson Reuters Datastream; company





Wealthy drinkers in China are sipping cognac again. Sales of LVMH's more ostentatious cognac brand were revived after a dry spell caused by a crackdown on conspicuous quaffing. Better sales are one reason the French luxury goods group was able to report 3 per cent revenue growth in the first half of the year — but not the main reason.

The early noughties growth bonanza in China may not be repeatable, given that its drinkers are catching up from a rather sober period in the first half of 2015. LVMH's US businesses, however, deserve closer attention. True, the standout growth in the US may be a reflection of weakness elsewhere. But the recently announced sale of the US brand Donna Karan suggests that management is admirably focused on getting more from its portfolio, rather than simply riding the coattails of economic recovery (and the strong dollar). The sale is an unusual step for a group that had been known more for opportunism in acquisitions than disposals.

Even after the DK sale, LVMH remains widely and deliberately diversified across regions and business segments. It argues that it allows its highly mobile clients to satisfy their desire for a bit of self-indulgent spending everywhere on the globe. Diversification adds stability but it also means that finite resources cannot be invested into the most profitable business all the time. That may be why shares in more highly focused competitors, such as Salvatore Ferragamo or Richemont, under-performed LVMH last year but beat it over a five-year horizon.

Like all luxury goods groups, LVMH is exposed to significant currency risk; currency losses had the effect of lowering year-over-year revenue growth by 2 per cent in the first half, and recent stock performance is highly correlated to the euro on a trade weighted basis. LVMH actively manages those risks arising from foreign exchange movements. Like its diverse portfolio, this may ultimately boost returns — but investors should note the potential for greater revenue volatility in the meantime.

ITV: do not adjust your set

Stock markets are a bit like broadcasters. Sensitive to the slightest hint of joy or woe for listed companies, shares transmit the drama via fluctuations in their prices. That might explain why in the months leading up to June's EU referendum vote in the UK, certain consumer cyclical stocks, such as the British media company ITV, reflected worries about the outcome by nearly halving in price. Could that signal an impending economic downturn? Judging from the reception to ITV's interim figures yesterday, not just yet.

Earnings to June just beat expectations, boosted by a healthy jump in profits from its ITV Studios unit. After all the Brexit worries a little good news went a long way. ITV's shares — trading near a three-year low of 13 times forward earnings — rallied 6 per cent on the day. Not that chief executive Adam Crozier had only good things to say. He warned that the next couple of months would be difficult, as ITV will not offer any Olympics coverage, and to expect tough comparisons given last September's Rugby World Cup coverage.

If so, its business will need to pick up sharply in the final months of the year to make up for what sounds like a sluggish third quarter. The Studios arm did well primarily due to the addition of several production companies in the past 18 months. Without them revenues actually fell. To be fair, there is a certain lumpiness to the way shows are made and then eventually released on television. And any shows sold to other broadcasters around the world will necessarily depend on their scheduling needs.

Television company fortunes depend more than most on the economic health of their main markets. Recognising this Mr Crozier has reduced the reliance on advertising (down to half, from two-thirds in 2009), and diversified ITV's income streams. ITV's depressed earnings multiple suggests that the market sees a somewhat different picture.

Boeing: false profits

If cash flow is divine, then consider the Boeing Company to be a prophet. The aerospace juggernaut last week announced $2bn in accounting charges relating to problems at various aircraft programmes. Yesterday, it revealed that the charges resulted in a loss of 44 cents per share for the second quarter — and added that its earnings for all of 2016 would be a quarter lower than previously forecast. But pay no attention to the accountant behind the curtain. The company reaffirmed that it would meet its $10bn cash flow target for the year.

The profit hits Boeing announced last week reflected a series of well-known sore points and, as such, were not shocks. Two 787 Dreamliners that were used for internal testing will not be sold, resulting in a non-cash charge of $847m. Also, a reduction in the production of future air cargo 747 jets would lead to an immediate charge of $814m. The third negative, of $393m, reflects the cost of fixing the KC-46 tanker aircraft during production and is the most cash-like of these miscues.

The chasm between cash flow and book profits, while awkward, is theoretically logical. Initial heavy net cash development costs are capitalised on the balance sheet and smoothed through earnings over time. As aircraft are sold, the incoming cash accelerates above the averaged accounting number. The key to making this work for Boeing is that development costs do not explode above expectations, and that aircraft sold (and their prices) reflect initial estimates.

In reality, gaps between accounting profits and cash have more to do with timing. Accounting charges in aircraft programmes can reflect upcoming disappointments in profits. Boeing has managed to find enough upside in other aircraft to maintain its cash flow target. Recently, its management emphasised that cash flow growth would beat earnings growth. But it also stated that book profit margins must grow from single to double digits. Turns out Boeing is no monotheist.

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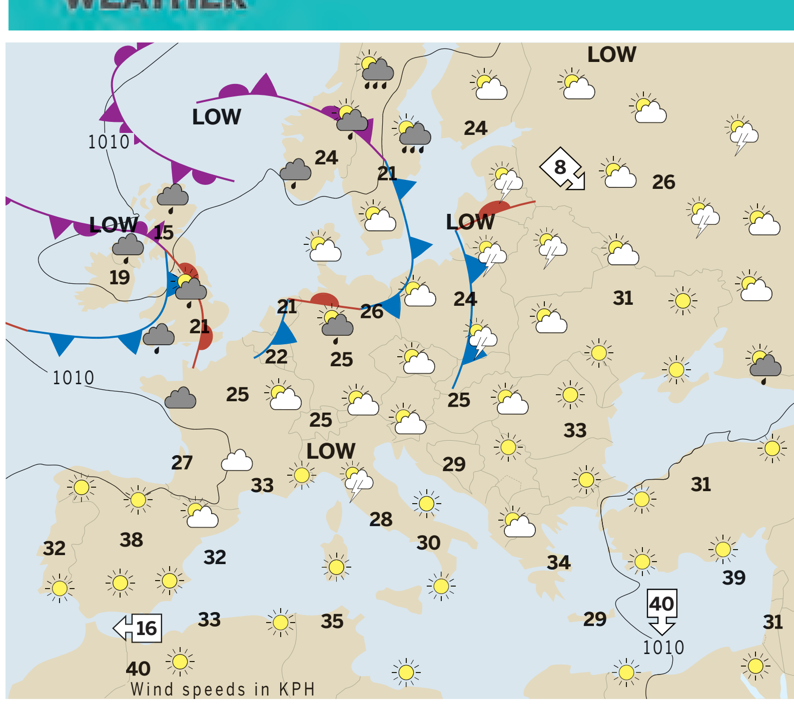
WEATHER

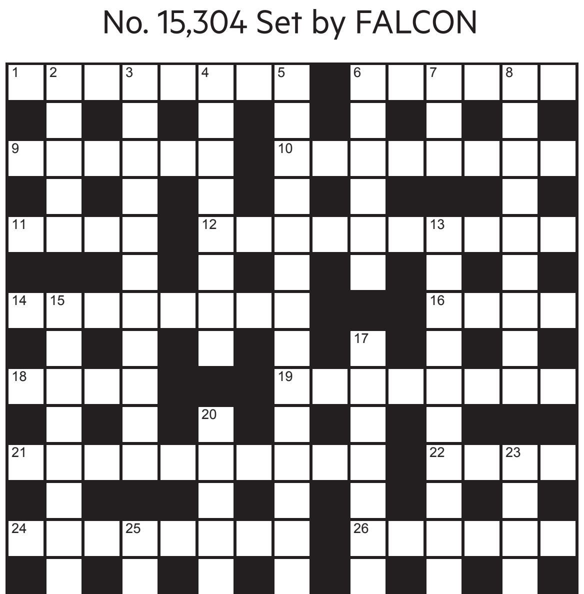


Forecasts by MeteoGroup Warm front Cold front Occluded front Wind speed in KPH

Today's temperatures Maximum for day °C

Abu Dhabi	Sun	41	Malta	Sun	29
Amsterdam	Rain	21	Manila	Fair	33
Ankara	Sun	31	Miami	Fair	34
Athens	Sun	34	Milan	Sun	29
Bahrain	Sun	38	Montreal	Shower	27
Barcelona	Sun	29	Moscow	Thunder	26
Beijing	Thunder	32	Mumbai	Thunder	29
Belfast	Rain	17	Munich	Fair	23
Belgrade	Thunder	29	Naples	Sun	30
Berlin	Fair	26	New York	Fair	34
Brussels	Cloudy	23	Nice	Sun	27
Budapest	Thunder	25	Nicosia	Sun	39
Cairo	Sun	35	Oslo	Rain	24
Cardiff	Rain	20	Paris	Cloudy	25
Chicago	Thunder	26	Prague	Fair	27
Cologne	Shower	22	Reykjavik	Fair	17
Copenhagen	Sun	22	Riga	Thunder	26
Delhi	Rain	31	Rio	Cloudy	21
Dubai	Sun	39	Rome	Sun	28
Dublin	Rain	19	San Francisco	Fair	22
Edinburgh	Rain	15	Singapore	Fair	31
Frankfurt	Shower	25	Stockholm	Shower	22
Geneva	Fair	27	Strasbourg	Cloudy	26
Hamburg	Shower	22	Sydney	Sun	19
Helsinki	Shower	24	Tokyo	Cloudy	29
Hong Kong	Sun	32	Toronto	Cloudy	29
Istanbul	Sun	31	Vancouver	Sun	23
Lisbon	Sun	32	Vienna	Fair	27
London	Rain	21	Warsaw	Thunder	24
Los Angeles	Sun	28	Washington	Thunder	35
Luxembourg	Shower	22	Zagreb	Thunder	26
Madrid	Sun	38	Zurich	Fair	25

CROSSWORD
No. 15,304 Set by FALCON

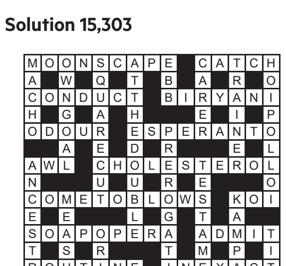


ACROSS
1 Lunatic shot on vessel (8)
6 Air filter (6)
9 Scares off pet (6)
10 Reportedly understands seedy bar's sharp decline (8)
11 Novel taken from Jerusalem man (4)
12 Authorisation for each sortie (10)
14 Look after piano store (8)
16 Said of men the French backed (4)
18 Time and trouble required to fetch dog (4)
19 Couple hired band (8)
21 Volume shown proved to be right (10)
22 Hit copper on force with force (4)
24 Heavenly in chalet here, always (8)
26 Bug in hand (6)
27 Frightened? Son was concerned (6)
28 Wait on head of state and a US novelist (8)

DOWN
2 True male domain (5)
3 Emperor and daughter unfortunately brought over for a dish (6,5)
4 Travel document and free ticket left (8)
5 Song, number eg tenor belts out (3,5,7)
6 Bird is soaring above hide (6)
7 Embarrassed about diamonds (3)
8 Free from injury, one girl landing in slack net (9)
13 Diversion created by cigarette (filter) (11)
15 Practical articles reproduced about electric current (9)
17 A red ace, say, in a line (8)
20 Long speech made by saint on faith (6)
23 Fine beer across the south? Untrue (5)
25 Nobleman briefly getting attention (3)

JOTTER PAD

Solution 15,303



Companies & Markets

FINANCIAL TIMES

Poland's banks A sector ripe for cost-cutting consolidation
INSIDE EUROPE, PAGE 12

Yahoo Japan	Mitsubishi	Barratt Developments	Brent oil	Dollar/yen	FTSE Mid 250	10-year UK gilt	Nikkei
2.14%	1.14	6.81%	2.7%	1%	1.2%	8bp	1.7%
¥457	¥1816	433p	$43.66	¥105.72	17265	0.74%	16,664

Deutsche Bank targets legal woes

• Cryan pledges personal role in resolutions • German lender's provisions hit profits

JAMES SHOTTER AND LAURA NOONAN
FRANKFURT

Deutsche Bank said it had begun settlement talks with the US Department of Justice over its probe into the German lender's origination and securitisation of mortgage-backed securities, as it reported a fall in second-quarter profits.

Along with a joint US-UK probe into alleged mirror trades involving Deutsche's Russian business, the DoJ's investigation into alleged mis-selling of residential mortgage-backed securities (RMBS) is one of the biggest legal uncertainties hanging over the bank.

John Cryan, chief executive, has made clear that he wants to resolve Deutsche's outstanding legal cases as soon as possible, and has said he will become personally involved in the efforts to do so.

Deutsche had already put aside €5.4bn to deal with its legal woes, although it said yesterday it had not taken provisions for all probes. But on the RMBS probes. It added a further €120m in litigation provisions in the second quarter. That contributed to €612m of charges that — along with weak markets — all but wiped out the bank's net profit.

In the three months to the end of June, net income was €20m, down from €818m in the same period last year. Analysts had expected a loss of €22m, according to Bloomberg. Shares in the bank fell 3 per cent on the news.

Deutsche's core tier one capital ratio — a closely watched measure of financial strength — improved slightly from 10.7 per cent at the end of March, to 10.8 per cent at the end of June.

As well as the litigation provision, Deutsche booked a €285m writedown on its asset management business, and €207m in charges in connection with Mr Cryan's five-year plan to cut cost base and bolster profitability.

Revenues were 20 per cent lower than a year earlier. Mr Cryan told staff that this was partly due to "a challenging market environment with historically low interest rates and significant uncertainties", and partly due to Deutsche's decision to exit various businesses.

> Deutsche added a further €120m in litigation provisions in the second quarter

The biggest decline came in the markets division, where revenues were down 28 per cent, while in the investment bank they fell 12 per cent. Deutsche's retail and wealth management business reported an 11 per cent decline.

Mr Cryan acknowledged the results showed that Deutsche was in the middle of "a sustained restructuring", but said it was making progress.

However, he added that "if this weak economic environment persists, we will need to be still more ambitious in our restructuring".

Andrew Coombs, an analyst at Citigroup said the results were "mixed" with revenues worse and costs better than expected.

Electric avenue
Daimler unveils first range of eTrucks

Daimler pledged to "redefine urban delivery" as it unveiled its first line of all-electric, heavy-duty trucks, **writes Patrick McGee in Frankfurt.**

The Mercedes-Benz Urban eTruck can haul up to 26 tonnes and has a targeted range of 200km on a single charge. Recharging will take two to three hours.

Wolfgang Bernhard, head of Daimler Trucks, said technological progress in batteries was not yet good enough for long-distance hauling, but the time was ripe for short-haul, urban use.

The company, which invented the first truck 120 years ago, expects electric trucks to be used for everything from grocery delivery to rubbish collection, and to be on sale from early next decade.

Mr Bernhard projected that between 1997 and 2025, the costs for batteries would fall 60 per cent, while their power was likely to have risen by 250 per cent. "That makes electrical cars economical," he said. "And that will soon make electric trucks economical."

The model displayed yesterday used a battery weighing 2,500kg. Because of the added weight, the load capacity is 700kg less than a comparable diesel truck, but Daimler said it was only a matter of time before electric trucks' capacity matched conventional vehicles.

Short View

Stephen Foley

Despite the impression from the political conventions, the US presidential candidates do not disagree on everything. Whether Donald Trump or Hillary Clinton wins the White House, infrastructure spending looks set to rise.

The Democratic party platform promises "the most ambitious investment in American infrastructure since President Eisenhower created the interstate highway system". Mr Trump promised to "build the greatest infrastructure on the planet earth", including the roads, railways and airports of tomorrow. "Construction is what I know," Mr Trump said. "Nobody knows it better."

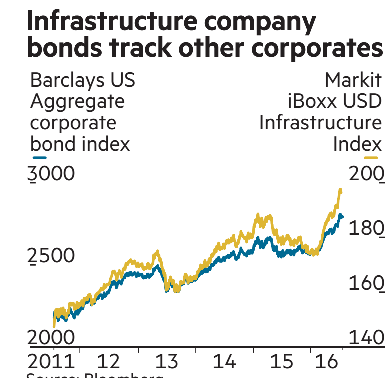
Infrastructure might be the buzziest buzzword on Wall Street right now. But how, exactly, are investors playing all this increased spending? Markit, creator of the iBoxx series of bond indices, has just launched an "infrastructure index" that it hopes investors will use as a benchmark. This one contains a collection of corporate bonds issued by the likes of utilities or gas pipeline companies.

Be careful: this is an index that might actually perform poorly if infrastructure spending increases. Because it contains corporate bonds, rather than bonds that finance specific projects, it moves pretty much in line with the rest of the corporate bond market. (In back-testing, the only exception was around the turn of this year, when it underperformed; it is stuffed with oil and gas companies, whose risk of bankruptcy shot up when the oil price went down.)

A fiscal boost from infrastructure spending is likely to stimulate the economy — or at least inflation, if financed by government debt — which is the sort of thing that will drive up interest rates, to the detriment of bond prices. If infrastructure is financed by private debt, that could be a drag, too, if it means more bond supply relative to demand or it weakens the credit quality of issuers.

Investors might be better to look for the direct beneficiaries of increased spending. One recent outperformer is the American Industrial Renaissance exchange-traded fund, a small- and mid-cap equity fund whose holdings include the civil engineer NV5 Global and electrical wiring supplier Encore Wire. Whether your party's chant is "build a wall" or "build bridges", investing in the builders might be wise as the campaign progresses.

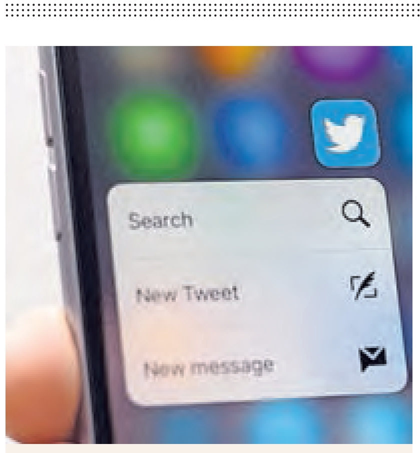
Infrastructure company bonds track other corporates



Source: Bloomberg

Markit has just launched an 'infrastructure index' that it hopes investors will use as a benchmark

stephen.foley@ft.com



Twitter battles to stay in online advertisers' tool kit

Already struggling to rekindle audience growth and spur deeper user engagement, Twitter faces a different problem: to convince marketers to stick with it as it tries to prove it is an indispensable part of the online advertising landscape.

Analysis ▸ PAGE 13

SABMiller puts AB InBev integration plans on hold after takeover offer raised

SCHEHERAZADE DANESHKHU AND NEIL HUME

SABMiller has told employees to stop working on integrating operations with those of Anheuser-Busch InBev, the Belgian brewer, which on Monday raised its takeover proposal for its smaller rival to £79bn.

In a memo seen by the Financial Times, Alan Clark, chief executive, told employees on Monday to "pause" integration planning with AB InBev, until the SAB board meets to decide whether to accept the new offer.

He said: "The convergence planning workstreams are being paused pending the board's considerations of the revised offer. This means that there should be no contact with AB InBev with immediate effect, and all meetings and calls will be postponed until further notice."

The brewer of Stella Artois increased its offer to stem a growing SAB investor rebellion over the terms of the deal, following a sharp drop in sterling's value.

The London-listed brewer recommended AB InBev's previous offer made last October. It has been working on integration planning since February, to smooth the handover for what would be the third-largest takeover deal in corporate history. The work has focused on areas such as IT and procurement.

Some investors, including Elliott Management and Aberdeen Asset Management, have criticised the structure of the deal.

A cash-and-shares offer designed for SAB's two largest shareholders — Altria and BevCo, which hold 41 per cent of the shares — has risen sharply in value compared to the cash offer aimed at other shareholders. The partial share offer is worth £51 a share, up from £39 last October, while the cash offer has been raised to £45 a share, from £44.

SAB is talking to shareholders this week before holding a board meeting, possibly tomorrow. Jan du Plessis, SAB chairman, told the group's annual meeting last week that the board would review the terms of AB InBev's bid and "look at the transaction as a whole", but only after the proposed takeover was cleared by Chinese authorities.

Additional reporting by Arash Massoudi

Companies / Sectors / People

Companies

Sectors

People

Financials

EU watchdog bullish on bank capital

Latest stress tests focus on cleaning up bad loans that weigh on profitability

MARTIN ARNOLD AND PATRICK JENKINS

The head of the EU banking watchdog says he is "bullish" about the amount of capital in the sector as he prepares to publish the latest stress test results for 51 of the region's biggest banks.

Andrea Enria, chairman of the European Banking Authority, told the Financial Times that the main objective of its stress tests had shifted from boosting capital levels to cleaning up the vast bad loans that weigh on lenders' profitability. "If you look at the capital position of the banks, I am bullish," he said, adding that EU banks have increased their overall capital by €260bn since he became EBA chairman in 2011. "The capital increase has been substantial, but does this mean that the banking sector adjustment is over, everything is in good order and we can all go on holiday? Of course not."

The EBA is itself facing uncertainty over its own future since the UK vote to leave the EU and it is set to move its headquarters out of London. Mr Enria said the European Commission would decide later this year where it would go, but officials from Milan, Vienna and Amsterdam have already been to lobby him on their cities' attractions.

The EBA will release the results of its latest stress tests after the US market closes tomorrow. However, for the first time the regulator will not say which banks have passed or failed the test. Mr Enria concedes this — combined with changes to the way EU banks' capital requirements are set — will make the results harder to digest.

"It is important that external readers of the results understand that there is no mechanistic mapping of the results of the exercise in a precise capital figure for the banks to fill," he said.

"I understand that this, in terms of communication, makes it all a bit challenging. Of course, it is much easier to say: 'This guy passed, this guy failed'."

Critics may also point out that the struggling Greek and Portuguese banks are among the smaller lenders that the EBA has left out of this year's stress tests, which are being run on less than half the 123 banks tested two years ago.

Its stress scenario models the impact of rising interest rates, rather than the prolonged period of negative rates that many economists are predicting, which may also invite criticism. However, Mr Enria pointed out that the EBA exercise still covered more than 70 per cent of the EU banking system by assets.

51
Of the region's biggest banks were stress tested and the results will be released tomorrow

€260bn
The amount by which EU banks have increased their overall capital since 2011

Conceding that the EBA was "lagging behind" other bank regulators such as in the US, he said there were "three stages in the repair process" for the sector. The first is recapitalisation, which he said had been "successful", as EU banks had increased their average capital levels by 4 percentage points to 12.6 per cent since 2011.

The second is to identify problem assets, which he said was achieved with the 2014 asset quality review — a detailed assessment of each bank's balance sheet and harmonisation of the definition of non-performing loans.

Finally, the banks were now cleaning up their balance sheets, by selling or restructuring non-performing loans. "So we are still not yet over."

Automobiles. Exchange headwinds

Carmakers look under the bonnet of Brexit

As importers take hit from falling pound, those with UK plants fear possible EU tariffs

PETER CAMPBELL
MOTOR INDUSTRY CORRESPONDENT

Car prices in Britain will rise as a result of the decision to quit the EU, the chief executive of PSA Peugeot Citroën has predicted.

Carlos Tavares said he expected overseas carmakers exporting to the UK to raise their prices to claw back foreign-exchange losses incurred as a result of the falling pound. The currency is trading at about 10 per cent below its pre-referendum value.

Every 1 per cent move in sterling against the euro cost Peugeot €30m annually, he said.

"Everybody is now waiting for somebody to make the first step in terms of pricing adjustment in that market. That could eventually have an impact on the overall market."

Peugeot was "managing very closely" the situation in the UK, with "local teams . . . taking a certain number of countermeasures", added Mr Tavares.

> 'Everybody is waiting for somebody to make the first step in terms of [UK] pricing adjustment'

A Renault factory near Paris: its French peer Peugeot reported a doubling of half-year profits to €1.4bn after automotive margins increased
Benoit Tessier/Reuters

The French company is not the only carmaker grappling with the impact of the Brexit vote. Nissan, Honda and Toyota, which manufacture in the UK, are heavily dependent on access to the European single market for much of their business.

They have said the long-term future of plants will depend on whether Britain faces trade barriers with Europe.

Volkswagen and Ford, which export hundreds of thousands of cars to the UK a year, have both said they are likely to be forced to raise prices if they face tariffs.

Of the 2.6m new cars sold a year in Britain, more than 2m are imported.

An increasing amount of expensive technology in vehicles — centred on emissions compliance and connectivity — is driving up the cost of making cars.

Many new vehicles are also sold at a discount to their sticker price.

Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders (SMMT), said such discounts might diminish but cheap finance packages would remain attractive. "The transaction price may change because of the ability of importers to offer incentives," he said.

Last week General Motors, which owns the Vauxhall brand in the UK, said Brexit would cost it up to $400m in the second half of the year because of the exchange rate hit, and indicated that the company could reassess its manufacturing operations in Britain following the referendum result.

UK car manufacturing has undergone a renaissance spurred by investment by international companies. In the six months to June, 897,157 cars rolled off British production lines — the highest half-year figure for 16 years, according to the SMMT.

The UK is on course to make 2m cars a year by 2020, beating the previous record set in 1972 of 1.92m.

But Mr Hawes said the forecast had been "predicated on no major economic or political shocks".

More than half of Britain's largest car groups are concerned about securing investment as a result of Brexit uncertainty, according to a poll of SMMT members released today. Of the "large companies" — those employing 250 people or more — 56 per cent raised future investment as a big concern following the vote.

"The relationship with our biggest market is now uncertain," said Mr Hawes.

Some 65 per cent of large SMMT members polled said Brexit would have a negative effect on their business, compared with 6 per cent that expected the impact to be positive.

Luxury manufacturers such as Aston Martin and McLaren Automotive have previously indicated that Brexit could benefit them in the short term because exports will be cheaper.

Sergio Marchionne, chief executive of Fiat Chrysler Automobiles, said the impact of the exchange rate on the company would be "minimal" because it was hedged, and also because the group sold only about 100,000 cars a year in the UK.

He was speaking as Fiat Chrysler increased its forecast for annual operating profit from €5bn to €5.5bn on the back of strong half-year results.

The Italian-controlled group posted a 23 per cent rise in six-month profits to €2.37bn, with flat revenues of €54.5bn and a 1 per cent dip in the number of vehicles sold to 2.26m. Jeep sales rose 16 per cent.

Sales of vehicles in every region except Europe, Middle East and Africa fell during the second quarter.

Peugeot reported a doubling of its half-year profits to €1.4bn after margins in its automotive division increased to 6.8 per cent from 5 per cent a year earlier. The announcement sent the shares up 7 per cent.

Nissan reported a 38 per cent rise in first-quarter profits to ¥267bn ($2.5bn) once currency fluctuations were stripped out. Revenues were 8.4 per cent lower at ¥2.65tn.

The Japanese company did not comment on the potential fallout from the UK referendum result, even though it owns a production plant in Sunderland, north-east England, which is the largest car factory in Britain and produces 500,000 vehicles a year.

Ford, Volkswagen and Renault — all large importers to the UK — report results today.

INSIDE BUSINESS
EUROPE

Henry Foy

Appetite for Polish lenders remains strong despite negative talk

On the face of it, it is a brave investor who puts money into Poland's banking sector. But those with a medium-term view, who are willing to ride out the current volatility, should not write off an industry that has healthy prospects — and is heading for a period of cost-cutting consolidation. Given downgrades of Poland's sovereign debt, domestic political turmoil, new taxes on lenders and a move to force banks to pay for the conversion of Swiss franc mortgages into zloty, the mood in the sector is not positive.

For foreign investors, there is the added distraction of the country's populist government suggesting it wants domestic lenders to increase their share of the market from just over 30 per cent today to 70 per cent in two decades — at the expense of overseas players.

Indeed, the WIG-Banki index of listed Polish banks in Warsaw is down about 16 per cent since the election in October, when the government changed.

Yet the current tumult could prove a catalyst for realising longer-term value in the market. Poland's banking industry is in far better health than many others in the EU. Its lenders sailed through the aftermath of the financial crisis in 2008, while peers across Europe collapsed or needed huge bailouts. Polish banks are now well capitalised and the market is growing, thanks in part to strong domestic GDP growth: forecast by the European Commission at 3.7 per cent this year and similar in the years ahead.

A new tax that charges lenders 0.44 per cent of assets — the highest in the EU — has caused a stumble in credit growth, but has now been largely swallowed by the banks.

And executives say a government plan to force them to convert Swiss franc mortgages to zloty — at a cost of about €10bn over 30 years — will hit profitability but not result in bankruptcies or recapitalisations.

Instead, events in Poland should speed up consolidation in the market, where more than two dozen major lenders operate. Of these, the biggest, PKO Bank Polski, holds just 15 per cent of the market, and the top five have less than 50 per cent.

> Some banks are already up for grabs, and attracting lots of attention

Some banks are already up for grabs, and attracting lots of attention. Raiffeisen is offloading its local unit, and five banks with existing operations in Poland are preparing bids, according to local media reports. UniCredit recently sold off a 10 per cent stake in its Polish subsidiary, and is rumoured to be considering disposals of more.

"There will be fewer banks in Poland in two years' time, regardless of the politics, and regardless of the nationality of the owners," says Wojciech Sobieraj, chief executive of Alior Bank. He should know. In April, Alior agreed to pay €280m for GE Capital's Polish retail bank Bank BPH, in the first of what Mr Sobieraj thinks will be a flurry of mergers.

"From this difficult situation at the moment can come another facilitator for the inevitable consolidation of the market," he says. "Any bank with market share smaller than 5 per cent will be part of a bigger animal soon." Alior, itself, is keen for more deals — as soon as it has swallowed up BPH over the next few months.

Mr Sobieraj says that, because the majority of smaller Polish banks have modern back-office systems, consolidation is a relatively simple task. Most operate using similar business models and are chasing the same customer base — making cost savings easily realised.

Headwinds still exist for potential investors. Some politicians have suggested the government embark on a process of "Polonisation" to nationalise banks. While the country's economy minister has rebuffed such suggestions, certain market participants are still nervous.

In addition, the Swiss franc mortgage conversion plan must still go through parliament, and may have a sting in the tail. A febrile political atmosphere could also mean more levies, taxes or regulations that may dampen economic growth and hit lenders' growth forecasts.

Tellingly, though, foreign investors were willing to stump up more than €150m of the cash that Alior raised in June to fund its BPH takeover — indicating strong appetite for Polish banking exposure from institutional investors, despite all the negative rhetoric.

Poland's bank names might sound more Polish in coming decades. But, given the industry's relatively positive outlook compared with European peers, that will not necessarily be true of the names on their share registers.

henry.foy@ft.com

Banks

State Street to pay $530m over secret mark-ups

STEPHEN FOLEY — NEW YORK

State Street, the Boston-based custody bank led by chief executive Jay Hooley, is paying $530m to settle allegations that it overcharged clients by adding secret mark-ups to foreign exchange trades.

The settlements with the US Department of Justice and other regulators, and with plaintiffs in a class-action lawsuit, are the culmination of more than seven years of controversy over pricing practices at the big US custody banks. State Street's rival BNY Mellon settled similar allegations last year.

"State Street misled custody clients about how it priced their trades and tucked its hidden mark-ups into a corner where they were unlikely to notice," said Andrew Ceresney, director of the enforcement division of the Securities and Exchange Commission.

The bank will pay $167.4m in penalties and disgorgement of profits to the SEC, $155m to the DoJ and $60m to the Department of Labor, which oversees pension funds, according to a statement from the three agencies. A further $147.6m will settle the class action suit.

State Street said that it had already fully provisioned for the settlements through increases to legal reserves in previous quarters. "Matters of this nature can drain both time and resources, so where possible and appropriate we feel it is in State Street's and our clients' best interests to pursue settlements," said Mike Rogers, president and chief operating officer.

At issue are the rates pension funds, mutual funds and other custody clients are charged when buying or selling securities in foreign currencies, or when interest or dividend income is repatriated.

The DoJ alleged that State Street had told clients it was providing "best execution" prices on foreign exchange transactions and that, contrary to representations to certain clients, the bank did not price foreign exchange transactions at prevailing interbank market rates. Instead, the DoJ claimed, it executed transactions by applying a predetermined mark-up, increasing its profits.

The bank, which did not admit the allegations, said it has improved disclosure practices since the controversy emerged in 2009.

Technology

Strong yen drags Nintendo into quarterly loss

KANA INAGAKI — TOKYO

A surge in the yen dragged Nintendo to a bigger-than-expected quarterly loss as investors look to the global Pokémon Go phenomenon to strengthen the Kyoto-based company's position in smartphone games.

In addition to still-weak demand for traditional consoles such as Wii U and its 3Ds handheld device, the company blamed the grim result largely on the yen's strength, with more than 70 per cent of Nintendo's sales generated outside of Japan.

For the April to June quarter, Nintendo booked a net loss of ¥24.5bn ($232m), a reversal from a profit of ¥8.3bn a year earlier and far worse than analyst forecasts for a loss of ¥3.4bn. As expected, the company maintained its guidance for a net profit of ¥35bn for the fiscal year ending in March 2017.

But disappointing some *Pokémon Go* watchers, Nintendo said it would delay the release of Pokémon Go Plus — an eagerly awaited accessory that will allow users to play the game without having a smartphone in hand — to September from the end of July due to software adjustments.

Ahead of yesterday's earnings release, Nintendo had already warned investors that the success of *Pokémon Go* would not prompt an immediate upward revision in its annual guidance.

The statement sparked a tumble in Nintendo shares, which have fallen 21 per cent over the past three days after rising as much 113 per cent since *Pokémon Go*'s release in early July. Analysts consider Nintendo's financial benefits from *Pokémon Go* to be limited, since the games group holds only 32 per cent of the Pokémon Company and an estimated 7 per cent stake in US-based Niantic, the two companies that developed the game.

Still, Jefferies analyst Atul Goyal said Nintendo would probably be facing a full-year loss without a boost from *Pokémon Go* to offset the currency impact, which totalled ¥35bn in the first quarter as the yen appreciated around 8 per cent against the US dollar.

The bigger issue is whether it can capitalise on the *Pokémon Go* fever to build its own position in smartphone games, after adjusting its stance to address the shift away from traditional consoles.

COMPANIES

Apple's long-range bets take centre stage

US group flags up importance of secret development projects and virtual reality push as iPhone sales weaken

TIM BRADSHAW — SAN FRANCISCO

With the near-term outlook on its core ranges of iPhones and iPads hazy, Tim Cook, Apple's chief executive, was unusually open on a call with analysts about longer-range opportunities.

Top of his mind were Apple's early forays into cars through CarPlay and the living room with Apple TV, as well as artificial intelligence and *Pokémon Go*-style "augmented reality".

So far this year investors have focused narrowly on the iPhone's growth — or lack of it. After iPhone sales fell 16 per cent in the quarter to March, Apple's third-quarter results showed only a moderate improvement, with sales down 15 per cent albeit at the higher end of analysts' expectations.

Yet in spite of the continuing decline in Apple's most important product, investors cheered Tuesday's results, sending its stock up 7 per cent to above the symbolic $100 level as Wall Street took a longer-term view of the iPhone-maker's prospects. Shares reached $103.25 in after-hours trading.

The company's outlook for the fourth quarter indicated that the slide in iPhone sales would continue, with analysts at Piper Jaffray estimating that Apple's total revenue guidance of $45.5bn-$47.5bn implies a year-on-year drop in iPhone units of 6 to 10 per cent.

With expectations lower than usual for the technological advances likely to feature in the next iPhone due out in September, many analysts are forecasting little to no growth for the next few quarters, too.

It was perhaps unsurprising that Mr Cook wanted to talk about its other product ideas for a change.

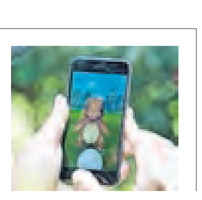
"Normally they focus on the short term and don't get into any kind of speculation. This time it was different," said Carolina Milanesi, an analyst at Creative Strategies, a Silicon Valley consultancy. "Generally it seemed like they were saying, 'Let's talk about the future and not dwell too much on what is going on at the moment'."

A jump in Apple's spending on research and development showed that Mr Cook's bout of futurology was not all talk, however. Even as its revenues declined, Apple increased its R&D investment by 26 per cent to $2.6bn in the quarter. Over the first nine months of the fiscal year, R&D is up 28 per cent. "There is quite a bit that we are doing beyond our current products," he said.

The most ambitious of Apple's secret development projects is its plan to build an electric car. While Mr Cook did not comment on Apple's automotive ambitions, he did hint at new product categories beyond its current portfolio.

Walt Piecyk, an analyst at BTIG Research, noted that Apple's R&D spending as a percentage of revenues hit a record 6 per cent in the quarter, compared with 3.5 per cent for 2015 and 2.6 per cent in 2013. "When your [annual] R&D budget doubles to $10bn in three years, presumably you have some big projects in the hopper," he said.

Throughout the hour-long conference call, Mr Cook made several references to Apple's development efforts in artificial intelligence and machine learning, which are improving products from its Siri virtual assistant to its Photos app.



Tim Cook said Apple was looking at the potential of augmented reality products, which use a smartphone

"We have focused our AI efforts on the features that best enhance the customer experience," he said.

Mr Cook also pointed to greater ambitions in television. Last September, Apple launched a new set-top box promising to "revolutionise" the TV world through a combination of its App Store and a fancy new remote control.

Despite the lofty rhetoric, it is unclear how well the new Apple TV box is selling. It is buried alongside the Apple Watch and iPod in the "other products" line, where revenues fell 16 per cent in the quarter.

In an interview, Luca Maestri, Apple's finance chief, declined to say whether sales even grew the quarter.

Yet Mr Cook said there was more to come from Apple in the living room. "You shouldn't look at what's there today and think we've done what we want to do," he said, identifying the current TV box as merely a "foundation" for bigger things.

One area of focus is bringing more original and exclusive content to Apple platforms. Earlier on Tuesday, Apple announced a deal with CBS Television Studios securing first-run rights to a new series of the popular *Carpool Karaoke* show, a spin-off of US chat show *The Late Late Show with James Corden*, which typically racks up tens of millions of views per episode on YouTube.

Most intriguing of the long-range bets mentioned by Mr Cook, however, was

> 'When your R&D budget doubles to $10bn in three years . . . you have some big projects in the hopper'

augmented reality — a technology that layers digital images on top of the real world. This effect can be achieved using a headset such as Microsoft's Hololens or the "mixed reality" goggles promised by secretive Florida-based start-up Magic Leap, or simply by using a smartphone's camera, as with the wildly popular *Pokémon Go* mobile game. The *Pokémon Go* phenomenon shows that "AR can be huge", Mr Cook said. "We have been and continue to invest a lot in this. We are high on AR for the long run."

While no AR product has yet emerged from Apple's labs, as the Financial Times reported earlier in the year, Apple has been hiring and acquiring significant expertise in virtual and augmented reality.

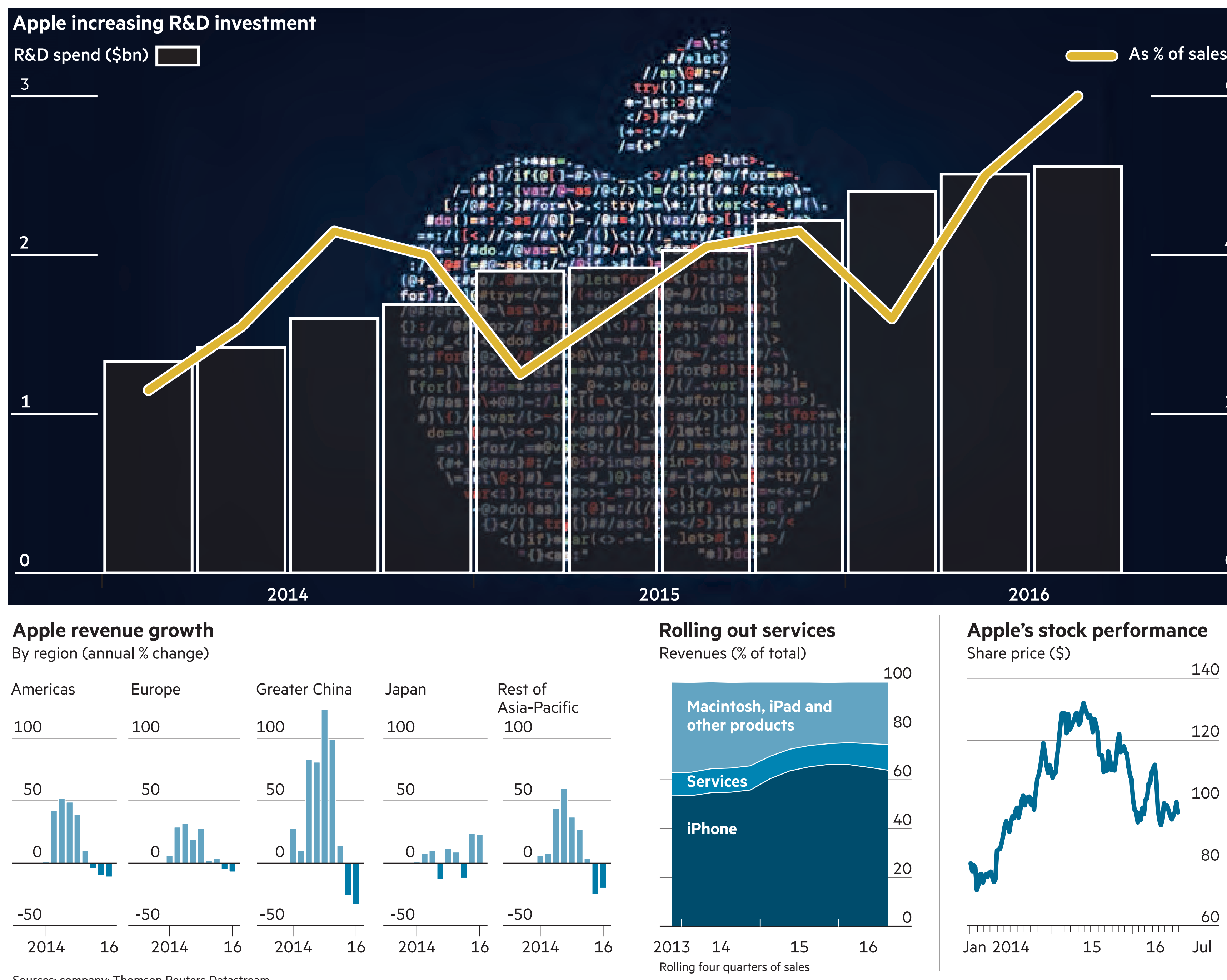
Those efforts could manifest themselves in a future iPhone or Hololens-style headset, while some sort of heads-up display in an Apple car also seems likely.

Mr Cook said AR could produce both great products and a "great commercial opportunity", as long as other developers' apps can tap into what Apple develops. Analysts at brokerage Needham & Co estimate Apple could make more than $3bn in revenues over the next two years from *Pokémon Go* alone.

While the future-gazing seemed to excite investors, Ms Milanesi warned that Apple could only dodge questions about lacklustre sales of its Watch, falling average selling prices for the iPhone and challenges in faster-growing markets such as China and India for so long. "You can waffle through one quarter," she said, but for shares to stay above the $100 mark, "this is not the kind of call they can have every quarter. It's just not going to fly."

See Lex

Ringing in the changes



Sources: company; Thomson Reuters Datastream

Twitter hits another boulder on the road to recovery

Messaging platform struggles to hold its place in rapidly changing online ad landscape

RICHARD WATERS — SAN FRANCISCO

Jack Dorsey's job was never likely to be easy when he returned a year ago to try to rebuild Twitter.

But on Tuesday it became clear that the site that Mr Dorsey, pictured right, co-founded has hit another boulder on the road to recovery. Already struggling to rekindle audience growth and spur deeper user engagement, it now faces a different problem: to convince marketers to stick with it as it tries to prove it is an indispensable part of the online advertising landscape.

Revenue growth did not seem to be foremost among the problems Mr Dorsey was facing. But Tuesday's second-quarter results showed the challenges the company faces in holding its place in a fast-changing and highly competitive social media market.

At $602m in the second quarter, revenue was only marginally below what most Wall Street analysts had expected, and up 20 per cent from the year before.

But in the current quarter that growth may dry up completely. Twitter said it was expecting revenues of only $590m-$610m in the three months to the end of September, a far cry from the $680m analysts had pencilled in. The reaction: an 11 per cent fall in its share price in after-hours trading, marking the sixth quarter in a row when earnings news has left a hangover for investors.

Even the Twitter bulls were struggling to find slivers of optimism in the gloomy forecast. "This will certainly test the resolve of an optimist," said Brian Wieser, an analyst at Pivotal Research — though he added that the service still has a unique role in supplying real-time news and social commentary.

Even if he is right, however, the short and medium-term suddenly look much more challenging.

Twitter executives blamed the projected revenue stall on several factors.

One was that most big brand-name advertisers are already using it, so growth will have to come from convincing them to allocate more of their budgets. Twitter conceded that was hard when its prices are at a premium to rivals and it is struggling to develop tools to prove the efficacy of its advertising.

The company has at least done a good job in persuading chief marketing officers to try out its mould-breaking approaches to online advertising, said Mr Wieser. But Twitter has found it tougher to prove its worth to the media directors and agencies whose job it is to assess the effectiveness of campaigns.

At the same time, the company is facing a shift in user behaviour with the rise of video, and trying to move into new forms of advertising. More than half its advertising revenue this quarter came from video, which did not even exist as an advertising format a year ago, said Adam Bain, chief operating officer.

A move into online video and direct response advertising, which relies on being able to tie ads directly to sales, might open up new markets, but would also throw up complications.

"Twitter continues to have challenges on both those fronts," said Debra Aho Williamson, an analyst at eMarketer. When it comes to direct response advertising, she said, it may always be at a disadvantage to Facebook, which has more data about its users and can tie ads to a real-world action like visiting a store.

In one sign of those hurdles, Twitter said 90 per cent of its ad impressions now come on mobile devices, though the response of users — in the form of an online purchase or other action — often happens on a desktop computer. Coming up with the cross-device measurement to demonstrate a link to advertisers is an area where Twitter is making "good progress", said Mr Bain.

As it tries to move from being a source of experimentation to a core part of advertisers' social media budgets, Twitter faces another threat: the emergence of other new social media services that, while not replicating its features exactly, have stolen some of its thunder.

"Something like a Snapchat or an Instagram is new and intriguing," said Ms Williamson. But Twitter said it was making headway with its own new ideas — including a service for live streaming events, starting in September with NFL football games — that are attracting advertisers.

There are unlikely to be quick fixes. It will take "multiple quarters" to develop the analytical tools and features needed to convince advertisers of the value of its advertising, said Mr Bain.

Many advertisers will be hoping it succeeds, according to Mr Wieser. With this week's sale of Yahoo to Verizon, Twitter is now "the clear number four" in the digital advertising market, he said. But with its stock price down by half over the past year, Wall Street's patience will not last indefinitely.

Technology

Arm reports strong growth ahead of SoftBank takeover

LAUREN FEDOR AND JOEL LEWIN
LONDON

Arm Holdings reported a sharp rise in revenues and profits for the first half of the year in a sign of strength just a week after the UK chip designer agreed to a £24.3bn takeover by Japan's SoftBank.

Arm, which sells licences for chip blueprints to manufacturers that in turn pay royalties on each unit shipped, also increased its interim dividend yesterday.

The company reported revenues of £544.1m in the six months to the end of June, a 19 per cent increase on the same period last year.

Pre-tax profits, adjusted for such measures as acquisition-related charges and share-based payment costs, were £267.6m for the period, up 9 per cent on last year. Pre-tax profit on an unadjusted basis grew 5 per cent in the first half to £208m.

Arm said 3.6bn chips containing its technology were shipped in the second quarter, a 9 per cent increase from the same time last year. Royalties paid on each chip rose 19 per cent over the three-month period when calculated in sterling. Processor royalty revenues increased 11 per cent year-on-year when measured in dollars.

The company raised its interim dividend 20 per cent to 3.78p per share.

"Our royalty revenue growth continues to outperform the wider semiconductor industry, driven by market share gains and the increasing adoption of Arm's latest technologies," said Simon Segars, chief executive.

"With more end-users selecting Arm technology for products ranging from sensors to satellites to supercomputers, we expect this outperformance will continue."

Arm has long dominated the mobile phone processing sector, with its components used in nearly all of the world's smartphones. But amid a slowdown in the global smartphone market, Arm has stepped up investment in other markets, shifting its focus to connected devices — the so-called "internet of things."

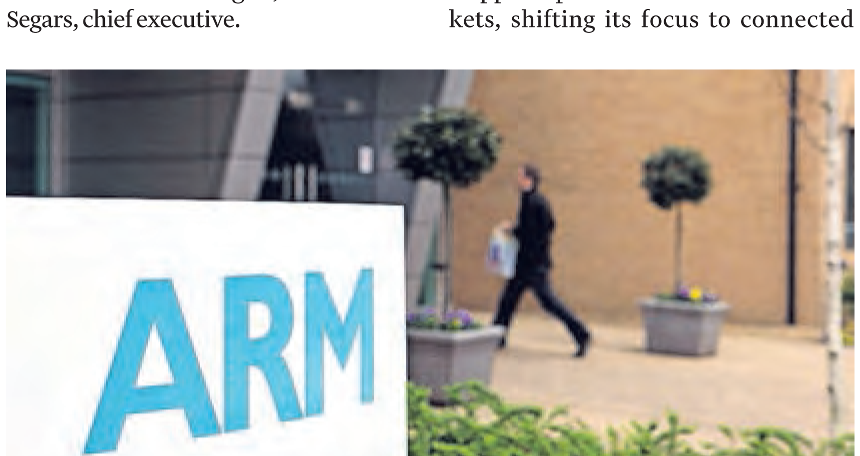
Masayoshi Son, chairman and chief executive of SoftBank, has pointed to Arm's business strategy when explaining why he placed a big bet in acquiring the company.

"The paradigm shift is the opportunity," Mr Son told reporters in London last week, referring to expected growth in the internet of things. "It will be a big opportunity for all of mankind and products used."

Softbank's takeover of Cambridge-based Arm, which was founded 25 years ago and employs 4,000 people, is set to be the biggest-acquisition of a European technology business.

After taking into account £1bn of cash held by Arm, the deal gives an enterprise value for the business of about £23bn. This is 24.4 times Arm's 2015 revenues of £968m and about 56.8 times adjusted profit after tax of £429m.

Arm said it would offer no full-year revenue guidance "given the restrictions placed on forward-looking statements" as a result of SoftBank's offer.



Arm Holdings raised its dividend on the back of rising profits — Chris Ratcliffe/Bloomberg

Airlines

Air France raises alarm on Europe market

Demand for inbound flights has undergone a 'significant drop'

ADAM THOMSON — PARIS

Air France-KLM has laid out a dire assessment of the business environment, warning of geopolitical and economic threats, with "special concern" about France as a destination.

Europe's biggest airline group said expected savings from low fuel prices would be more than offset by pressure on revenues as demand for flights weakened, in particular to Europe, which had been targeted by Islamist terrorists.

"If the question is do we see a deteriorating environment, the answer is yes," said Pierre-Francois Riolacci, chief financial officer, yesterday.

There had been "significant drop in demand" for travel to Europe, particularly France, where extremists had carried out multiple attacks, he said.

On Tuesday two suspected Islamist terrorists murdered a priest in a church near Rouen in northern France.

This month a terrorist drove a truck through a crowd in Nice, killing 84 people.

European airlines including Air France have also been adversely affected by Britain's decision to exit the EU. Lufthansa and IAG, owner of British Airways, have issued profit warnings since the vote.

Air France's bleak outlook came as it faced further strike action, with two of its three cabin crew unions yesterday calling for a walkout lasting until next week.

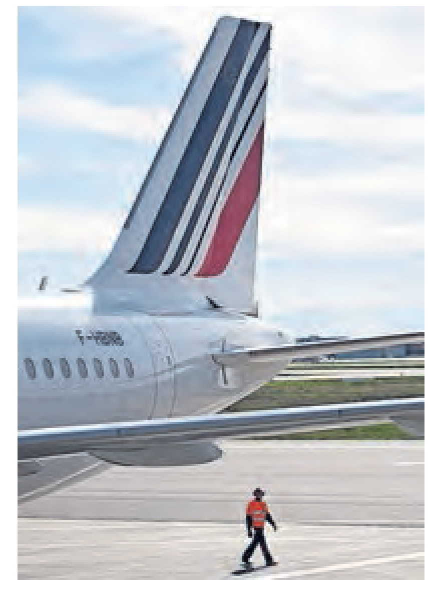
The Franco-Dutch carrier is battling to implement a restructuring plan to reduce costs and help it compete with Europe's low-cost carriers and other competitors.

Mr Riolacci warned that the industrial action was likely to make passengers think twice about travelling with Air France.

A pilots' strike this summer dealt a €40m blow to group earnings.

The latest strike was expected to affect 13 per cent of flights yesterday and 30 per cent of short- and medium-haul flights out of Charles de Gaulle airport in Paris. The cost was likely to be "several dozens of million euros", said Mr Riolacci.

Air France reported a better operating profit than expected during the second quarter. At €317m it was considerably higher than the €179m during the same period last year.



Two of Air France's three cabin crew unions have called for a walkout

Average analysts' forecasts had put the operating profit figure at just €251m.

The shares rose as much as 5 per cent in early morning trading before retreating to close at €5.17, down 0.8 per cent.

Revenues during the three months to the end of June shrank 5.2 per cent to €6.22bn even as the group reported a 3.4 per cent year-on-year rise in passenger numbers to nearly 24.4m.

Half-year revenues were 2.6 per cent lower at €11.8bn.

Net profit was €41m during the quarter, a significant turnround from a €79m loss during the same period a year ago.

Air France said it was sticking to its 2016 targets of free operating cash flow of €600m to €1bn, with about 1 per cent lower unit costs and a significant reduction in debt.

Aerospace & defence. Deliveries

Airbus grapples with delays and charges

European group takes €1.4bn hit to cover problems in its military and civil divisions

PEGGY HOLLINGER
INDUSTRY EDITOR

Airbus is taking €1.4bn in charges as the European aerospace and defence group struggles to regain control of troublesome civil and military aircraft programmes.

In what is expected to be just the first of further potentially "significant" charges, Airbus is setting aside €1.02bn to repair design flaws on the A400M and to cover the cost of delays in installing the capabilities that were promised for the large military transport aircraft.

This brings to roughly €5bn the hit taken by Airbus on the programme in less than a decade, not including a €3.5bn bailout by government customers in 2010. Airbus is talking to customers, who have been forced to curtail missions of aircraft already delivered, about a revised delivery schedule that could lead to further significant penalties and charges, it said.

At the beginning of July, the UK military were not flying A400m aircraft across the Atlantic and one was grounded for several weeks earlier this year due to concerns over glitches in the propeller gear box, according to one military source. Airbus has also discovered flaws in aluminium alloys used in the fuselage.

The group is also taking a €385m hit to cover mounting problems in the production of its popular civil aircraft, the A350 medium range wide-body. Airbus suggested it could slow down production of the aircraft next year to resolve issues with higher than expected recurring costs and delays in the delivery of lavatories and business class seats.

However, it stuck to its guidance for 50 deliveries in 2016, although some senior executives have suggested this could be revised later this year, and for a production rate of 10 a month by 2018. The group is putting employees on summer overtime — including keeping the assembly lines running through the traditional August holiday at its Toulouse assembly line.

Tom Enders, chief executive, said the charges would be offset by €2bn gains on disposals, the creation of a rocket launcher joint venture with Safran of France, and other portfolio adjustments. The net effect is a €172m hit to earnings.

"Significant capital gains from the portfolio reshaping mitigated these programme losses but that does not make them more acceptable," he said.

Airbus was maintaining guidance for 2016, although Mr Enders signalled that meeting the target for stable free cash flow could be difficult given the potential for further hits to the A400M programme.

The group is also racing to catch up on deliveries of its A320neo single aisle aircraft, which has been held up by cooling and starting problems in the new Pratt & Whitney geared turbofan engine. Mr Enders said the hardware fix had been delivered and the 20 aircraft waiting on the tarmac at Toulouse would be fitted with their engines in the second half.

Overall he was confident the difficulties would be overcome and Airbus was sticking to its promise to deliver 650 aircraft this year and replace those deliveries with an equal number of orders. "As we sit here we already have more than 400 aircraft in order intake," Mr Enders said. "We are on good track to have more than one for our book to bill by the end of the year."

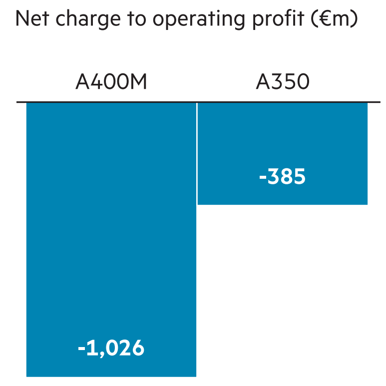
Mr Enders' comments came as the group posted a 17 per cent drop in first-half earnings before interest and tax to €1.9bn, on flat sales of €28.8bn. The numbers were a touch ahead of expectations, though there is uncertainty about the impact of future charges.

On a divisional basis, the commercial aircraft business also delivered flat turnover of €21.1bn, but saw a 70 per cent drop in ebit to €421m after the charges. Defence and space saw revenues down 2 per cent, and moved from a loss before interest and tax of €26m to ebit of €478m.

Mr Enders also warned of potential charges in the helicopter unit, after the crash of an H225 rotorcraft in Norway this year. The financial impact of the crash could not be estimated, he said, until the investigation was concluded.

In a spin: Airbus is setting aside €1.02bn to repair design flaws in its A400M military aircraft and for delays in installing promised capabilities — Patrick Pleul/AFP/Getty

Airbus takes a hit on aircraft programmes
Net charge to operating profit (€m)



Source: company

Pharmaceuticals

GSK to invest £275m in UK expansion as sales of new drugs grow

CLIVE COOKSON — LONDON

GlaxoSmithKline, the largest UK drug company, is to invest £275m to expand production capacity at three British sites to meet growing global sales of new medicines.

GSK revealed the investment at its manufacturing facilities shortly before releasing second-quarter results well ahead of analysts' expectations.

Group sales rose by 11 per cent to £6.53bn — or 4 per cent on a constant currency basis — while core earnings per share were up 42 per cent to 24.5p.

Sir Andrew Witty, chief executive, said the decision to build production facilities in County Durham, Hertfordshire and Angus reflected growing sales of recently introduced drugs and vaccines, which more than doubled to £1bn compared with the same quarter last year.

Medicines for HIV and Aids performed strongly, while sales of new respiratory products more than compensated for declines in Seretide and Advair. Sales of vaccines increased 11 per cent in the quarter and consumer healthcare products 7 per cent.

GSK is forecasting 2016 core earnings per share growth to be 11 to 12 per cent at constant exchange rates — and more in sterling if the pound remains weak.

Sir Andrew said in a conference call that the manufacturing investments had been approved "within the last couple of days — well after the Brexit decision".

> 'An investment of this scale is a clear vote of confidence in Britain and underlines our position'

Asked if the referendum result had made any difference, he replied: "It's highly likely we would have made the same decision. This decision is not caused by Brexit. That it hasn't been stopped by Brexit is probably a better way to think about it."

Greg Clark, business secretary, said: "An investment of this scale is a clear vote of confidence in Britain and underlines our position as a global business leader."

At Barnard Castle in County Durham, a £92m investment will fund the construction of a sterile facility to make biological molecules, including an experimental antibody for severe asthma that GSK is buying for £175m. At Montrose in Angus, GSK will invest £110m in a plant to make ingredients for respiratory medicines. At Ware in Hertfordshire, a £74m investment will expand production of GSK's Ellipta inhaler. The company said the investments would create jobs but did not specify a number.

Bosses of pharmaceutical companies, including Sir Andrew, were generally opposed to Britain leaving the EU.

Most outspoken was John Lechleiter, chief executive of Eli Lilly, who yesterday said his company's big neuroscience centre in Surrey was safe. "That research site really is international and European, and we're certainly going to work hard to ensure the government makes the ground rules so we can continue to bring in the people we need to bring in," he said. "I'm confident that there will be a mechanism for us to do that."

Additional reporting by David Crow

Oil & gas

Statoil signals cost cuts after quarterly net loss

ANDREW WARD — ENERGY EDITOR

Statoil said the oil and gas industry must work harder to increase efficiency in an era of price weakness after the Norwegian group announced a surprise net loss for the second quarter.

Eldar Saetre, chief executive, said there was "a lot more to be done" to cut costs as he shaved another $1bn off Statoil's capital expenditure budget for this year.

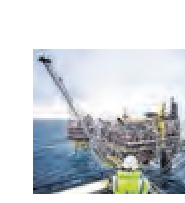
Statoil has reduced its operating expenses by 18 per cent in the past year but the measures were not enough to prevent a net loss of $28m in the three months to June 30 as low oil and gas prices continued to weigh.

Mr Saetre said Statoil and its peers had come a long way in trimming the bloated cost structures built up when oil was trading at more than $100 a barrel before crashing in 2014.

"Operators have started to work together but it is a very long journey and it also needs to involve our suppliers," he said. "The industry has built in a lot of complexity over many years and we need to go back and work out what is really necessary."

More efficient ways of working allowed Statoil to halve the time it took to drill a well since 2013, he said. Measures such as these were allowing capital expenditure to be reduced without cancelling or delaying exploration.

Expenses have been cut by 18% in the past year; not enough to escape a net loss of $28m in the quarter



Statoil said it expected to invest $12bn in capital projects this year, down from previous guidance for $13bn. This followed a similar cut by BP on Tuesday.

A partial recovery in oil prices from a 13-year low in February has eased some pressure, but prices have fallen back below $45 as supplies of crude and refined products outweigh demand.

Mr Saetre said the heavy cuts in industry investment over the past two years would eventually lead to a tightening of production capacity but it was impossible to predict when the cycle would turn. In the meantime, he expected the market to remain "nervous" and volatile.

In common with other big oil and gas producers, Statoil is battling to defend its dividend as profits come under pressure. The group introduced a scheme in February that allows shareholders to receive their payouts in shares — a move that helped to keep the dividend stable at 22 cents in the second quarter while reducing its drain on cash.

The net operating loss of $28m was down from a profit of $929m in the same period last year and fell well short of analysts' consensus forecast for a profit of $313m.

Michael Alsford at Citigroup attributed the "weak" results to increased tax charges and lower earnings from refining, crude trading and gas marketing.

Pre-tax operating profits were up from last year at $913m but missed analysts' expectations for $1.37bn.

COMPANIES

Banks

IMF economist to be StanChart chairman

Hiring of former regulator follows similar moves by RBS and Santander

MARTIN ARNOLD AND EMMA DUNKLEY

Standard Chartered has completed an overhaul of its boardroom by hiring José Viñals from the International Monetary Fund to become chairman of the London-listed emerging markets bank.

His appointment underlines how banks are turning in greater numbers to former regulators when looking for new chairmen, following similar moves by Royal Bank of Scotland and Banco Santander.

Mr Viñals, who has stepped down as department director and financial counsellor at the IMF with immediate effect, will join StanChart's board in October and replace Sir John Peace as head of the emerging markets focused bank on December 1. An economist, he spent 25 years at the Spanish central bank, rising to deputy governor.

He will leave the IMF after seven years and move to London to serve in the non-executive role at StanChart for "up to four days a week", the bank said.

The IMF said he was returning to Europe "for family reasons", and Christine Lagarde, managing director, said: "I believe José's selection for such an important position is testimony to the very high regard in which he is held — for his experience, capabilities, and insights on financial issues."

StanChart has been struggling to find a chairman since Sir John announced his plan to step down in February 2015, triggering a succession process led by senior independent director Naguib Kheraj, who has been made deputy chairman.

It approached several potential candidates, but some were put off by the UK regulator's insistence that they commit to spending much of their time on the role and drop most other non-executive positions.

Mr Kheraj said it had approached Mr Viñals last year but he was "not in a position" to move from the IMF six to nine months ago. "It's been a challenging process because of the nature of the bank chairman role. It's quite a demanding role now. It's more of an issue around the ability to commit the time." He said that because StanChart had operations in more than 35 countries, "to do this job you have to commit to doing the travel and the time".

Sir John himself has been criticised for holding too many FTSE 100 chairmanships. He is still chairman of fashion group Burberry, having last year stepped down from Experian, the credit data business.

Mr Kheraj rejected the idea that Mr Viñals lacked enough commercial banking experience, but conceded that StanChart's board "spent a lot of time" on the question of whether he could make the transition.

He pointed out that Mr Viñals had been the lead supervisor of Spanish banks for many years and had responsibility for liquidity and market risk at both the IMF and Spain's central bank.

Energy. Nuclear power

EDF looks to make its Hinkley ambitions add up

French power group has been preparing financial buffers as decision looms on go-ahead

KIRAN STACEY
ENERGY CORRESPONDENT

With a €4bn equity fundraising now approved, EDF has the final piece of its Hinkley Point jigsaw in place — requiring only board sign-off for its UK nuclear power plant.

And, assuming directors give the go-ahead for the £18bn project today, attention in France and the UK will quickly shift to whether EDF has the money to pay for its two-thirds share.

There are several sources of revenue from which the company can access funds — most obviously its regular earnings, which rose 3.9 per cent last year before interest, tax, depreciation and amortisation to €17.6bn.

But the problem for EDF is that, over the next few years, these earnings look more uncertain as the French government ends some of the guarantees it gives on the electricity it generates.

At the moment, out of the 500 terawatt-hours of electricity the company sells in France each year, 440TWh are guaranteed by the government. However, as part of a move to liberalise the country's energy market, that figure will decrease to 300TWh by the end of 2018 — exposing EDF to the wholesale electricity price.

At the moment, analysts say the wholesale price, which has risen along with the coal price in recent weeks, would probably be enough to give EDF the revenues it needs for its ambitious UK project over the next few years.

Peter Atherton, an analyst at Cornwall Energy, says: "€35 per megawatt-hour is the magic number. That's what EDF needs the French wholesale price to be to be able to fund Hinkley Point by itself." At present, the French wholesale price is just over €35.

Nevertheless, conscious that it could be left with a funding shortfall in future, EDF is taking steps to give itself a financial buffer. This will also be needed to help pay for the renovation of the company's existing nuclear plants in France, as well as plans to invest in renewable energy facilities and smart meters.

In addition, executives want to prevent EDF's credit rating falling further after an expected downgrade in the wake of the Hinkley Point decision.

Paul Spence, director of strategy at EDF in the UK, told the Financial Times: "We have agreed a package of measures to make sure we have the money to do all of the things we need to do."

Of these, the first is the share issue that was agreed on Tuesday, which will provide a fairly immediate €4bn. Then, once the final investment decision is taken, CGN, the Chinese state-backed nuclear group, will pay around €800m in funds owed from the €2.4bn that EDF has already spent on the scheme.

EDF says these two measures will help secure the money it needs to press ahead with the early stages of the project. Between now and 2018, EDF will also raise €1bn from cost cuts, alongside an additional €10bn in asset sales over an unspecified timeframe.

A further saving — of an unspecified amount of money — will come from paying Paris the dividends on its shareholding in equity rather than cash. However, it can only do this for two years.

Even critics of Hinkley Point say that with all these measures in place, the scheme can be afforded, but the question is what is being sacrificed to pay for it. One internal critic told the Financial Times: "The company can pay for this. But it shouldn't."

EDF says it has agreed 'a package of measures' to ensure it can meet costs at Hinkley Point — Chris Ratcliffe/Bloomberg

Food & beverage

Coca-Cola cuts forecast amid China slowdown

LINDSAY WHIPP — CHICAGO

Coca-Cola cut its sales forecast for this year as it struggles with a consumer slowdown in China, sending the drinks group's shares down more than 3 per cent.

The Atlanta-based group expects sales, adjusted for acquisitions, divestitures and currency fluctuations, to rise 3 per cent, compared with its earlier forecast of between 4 per cent and 5 per cent.

Coca-Cola said that the consumer slowdown in China had hit sales, and weaker demand was forcing it to drive down inventory.

"We have not really assumed China will get better in the rest of the year," said James Quincey, Coca-Cola's chief operating officer. He said juice sales fell double digits in the second quarter in the country and Coca-Cola drinks dropped single digits.

"The consumer will take a little more time to come back which is why we're focusing on a game plan we know that works, focusing on affordability and premium [drinks] in metro areas," he said, adding that he is confident that the company can continue to gain share in the country and is set up for when consumer spending picks up again.

Coca-Cola is in the middle of transforming its business as it sells off its bottling operations in the US and across the globe to focus on producing the concentrate that makes many of its drinks as well as research and development. Those sales will allow the company to focus more of its resources on innovation and acquisitions.

In the second quarter, total revenue fell 5 per cent to $11.5bn, short of analysts' expectations of $11.6bn, while earnings of 60 cents a share beat the 58 cents that analysts expected. Excluding extraordinary items and currency swings, sales rose 3 per cent.

The company continues to be hit by the strong dollar on its overseas operations, but managed to increase prices in most regions bar Asia-Pacific. However, overall volume for the quarter was flat.

Underscoring the differing short-term fortunes of many developing markets versus developed peers, Coca-Cola's North American business increased sales 4 per cent, after excluding one-off items related to its deal with Monster Beverage last year, though pre-tax income was unchanged.

The company faced setbacks in Latin America, particularly in Argentina, where it had experienced slower growth, and in Venezuela, where it has struggled to source sugar amid the country's economic and political upheaval. However, Mexico in contrast had performed strongly.

Financial services

JPMorgan dealmaker moves to boutique adviser LionTree

ARASH MASSOUDI — LONDON

One of JPMorgan Chase's most senior dealmakers is leaving the US bank to join LionTree, the telecoms and media-focused boutique advisory firm that is looking to grow its European business.

Jake Donavan, who was only this year promoted to lead coverage of all industries for JPMorgan's investment bank in Europe, the Middle East and Africa, will become president of LionTree Europe. He will report to Aryeh Bourkoff, founder and chief executive of LionTree.

The move is the latest evidence of the challenge that global investment banks face in retaining their top talent with the rise of a wave of more nimble and less bureaucratic boutiques.

JPMorgan confirmed the departure in a memo seen by the Financial Times. LionTree declined to comment.

Mr Donavan spent 24 years at JPMorgan in the US, Latin America and in Europe, where he worked with a number of clients in the telecoms sector, including TDC of Denmark, KPN in the Netherlands, and Altice, the pan-European and US telecoms group.

He will be replaced by Harry Hampson, who has held a number of senior advisory roles. Mr Hampson will continue as head of the bank's strategic investors group in the Emea region.

Mr Donavan made "substantial contributions to our clients and our franchise over the years", said Viswas Raghavan, JPMorgan's Emea deputy chief executive and head of banking, in the memo.

Mr Donavan is the second senior hire by LionTree in London, which last year brought in Louis Kenna, a former BNP Paribas banker. LionTree was founded in New York in 2012 by Mr Bourkoff, a former UBS analyst and investment banker, and Ehren Stenzler, a UBS mergers and acquisitions banker.

It has become an adviser to some of the leading media and telecoms companies, working on major deals in the sector for clients such as Liberty Global, Charter Communications and Verizon.

This week, LionTree advised Verizon on its $4.83bn takeover of Yahoo's core internet business and worked with Apollo Global Management, the private equity firm, on its $1.6bn acquisition of Outerwall. In Europe, LionTree has advised on Liberty Global's joint venture in the Netherlands with Vodafone and worked with Singaporean sovereign wealth fund GIC on its investment in Ireland's former state telecoms monopoly Eir.

> Jake Donavan is the latest senior employee at JPMorgan Chase to be tempted away by a rival

LionTree, which employs fewer than 50 staff, has opened offices in San Francisco and is building up an early investment unit, which focuses on finding start-ups for it and its clients to invest in.

For JPMorgan, the loss of Mr Donavan is the latest in a series of departures in Europe. This year, its top European consumer banker Alejandro Vicente moved to JAB, the acquisitive holding company of Germany's billionaire Reimann family, and Markus Boser, European head of its telecoms, media and tech business, left for Auto1, a German start-up.

MARKET DATA

WORLD MARKETS AT A GLANCE — FT.COM/MARKETSDATA

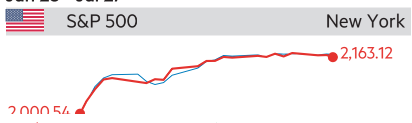
Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-0.28%	0.38%	-0.13%	0.39%	0.36%	1.72%	0.40%	-0.04%	No change	No change	0.960%	No change	-0.12%	0.45%

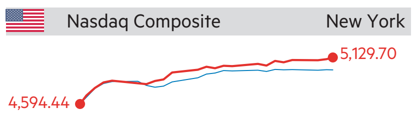
Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

AMERICAS

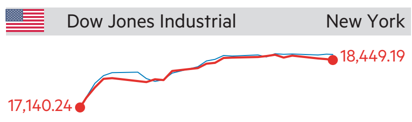
Jun 28 - Jul 27 — Index — All World

S&P 500 — New York


Day -0.28% Month 2.41% Year NaN%

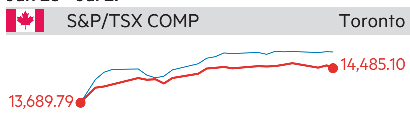
Nasdaq Composite — New York


Day 0.38% Month 9.02% Year 0.86%

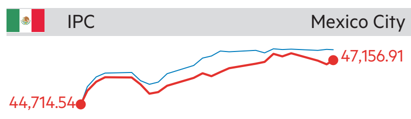
Dow Jones Industrial — New York


Day -0.13% Month 6.07% Year 5.05%

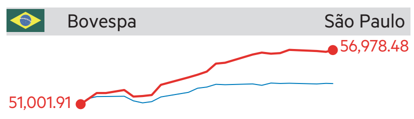
Jun 28 - Jul 27 — Index — All World

S&P/TSX COMP — Toronto


Day -0.45% Month 5.82% Year 3.46%

IPC — Mexico City


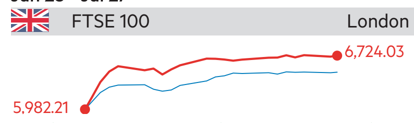
Day 0.49% Month 6.47% Year 7.86%

Bovespa — São Paulo


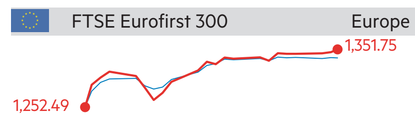
Day 0.34% Month 15.70% Year 16.91%

EUROPE

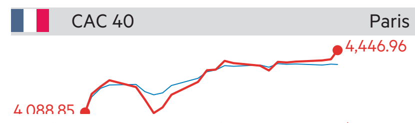
Jun 28 - Jul 27 — Index — All World

FTSE 100 — London


Day 0.39% Month 12.85% Year 3.78%

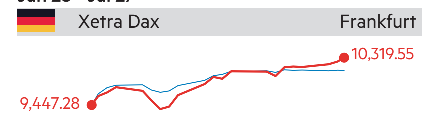
FTSE Eurofirst 300 — Europe


Day 0.36% Month 10.48% Year -11.67%

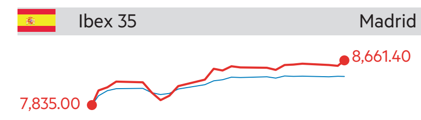
CAC 40 — Paris


Day 1.19% Month 8.28% Year -12.07%

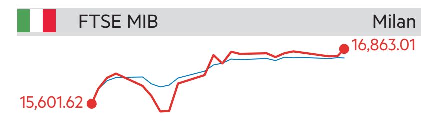
Jun 28 - Jul 27 — Index — All World

Xetra Dax — Frankfurt


Day 0.70% Month 1.75% Year NaN%

Ibex 35 — Madrid


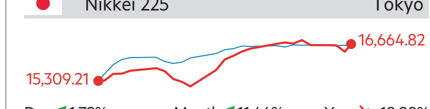
Day 1.18% Month 11.22% Year -23.41%

FTSE MIB — Milan


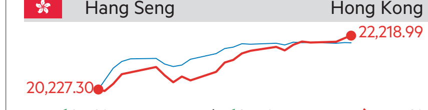
Day 0.99% Month 11.65% Year -26.07%

ASIA

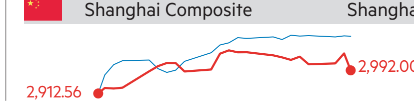
Jun 28 - Jul 27 — Index — All World

Nikkei 225 — Tokyo


Day 1.72% Month 11.46% Year -18.88%

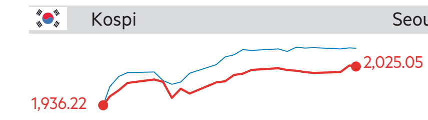
Hang Seng — Hong Kong


Day 0.40% Month 9.67% Year -11.58%

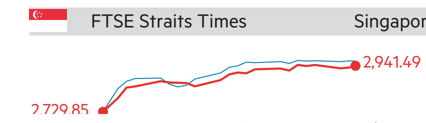
Shanghai Composite — Shanghai


Day -1.90% Month 4.82% Year -26.50%

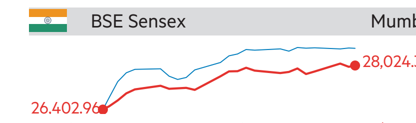
Jun 28 - Jul 27 — Index — All World

Kospi — Seoul


Day -0.11% Month 5.18% Year -1.02%

FTSE Straits Times — Singapore


Day 0.27% Month 7.53% Year -12.26%

BSE Sensex — Mumbai


Day 0.17% Month 6.16% Year -0.31%

Country	Index	Latest	Previous
Argentina	Merval	15530.11	15757.70
Australia	All Ordinaries	5615.00	5612.60
	S&P/ASX 200	5539.70	5537.50
	S&P/ASX 200 Res	2932.30	2879.00
Austria	ATX	2242.97	2230.24
Belgium	BEL 20	3453.66	3456.96
	BEL Mid	5953.35	5911.83
Brazil	Bovespa	56978.48	56782.75
Canada	S&P/TSX 60	843.19	847.45
	S&P/TSX Comp	14485.10	14550.00
	S&P/TSX Met & Min	643.56	650.99
Chile	IGPA Gen	20519.95	20477.52
China	FTSE A200	8162.38	8257.18
	FTSE B35	9306.04	9490.41
	Shanghai A	3132.09	3192.66
	Shanghai B	346.47	352.63
	Shanghai Comp	2992.00	3049.84
	Shenzhen A	2044.03	2139.41
	Shenzhen B	1126.96	1149.78
Colombia	COLCAP	1315.69	1323.41
Croatia	CROBEX	1752.37	1749.83

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	66.29	66.21
Czech Republic	PX	893.42	889.42
Denmark	OMXC Copenahgen 20	990.99	996.35
Egypt	EGX 30	7517.78	7517.78
Estonia	OMX Tallinn	1014.04	1018.90
Finland	OMX Helsinki General	7979.72	8001.14
France	CAC 40	4446.96	4394.77
	SBF 120	3521.77	3481.06
Germany	M-DAX	21217.66	21008.54
	TecDAX	1716.21	1691.93
	XETRA Dax	10319.55	10247.76
Greece	Athens Gen	569.16	566.00
	FTSE/ASE 20	1532.34	1527.79
Hong Kong	Hang Seng	22218.99	22129.73
	HS China Enterprise	9115.29	9062.25
	HSCC Red Chip	3791.59	3793.97
Hungary	Bux	27781.05	28014.13
India	BSE Sensex	28024.33	27976.52
	S&P CNX 500	6627.95	6634.30
Indonesia	Jakarta Comp	5274.36	5224.40
Ireland	ISEQ Overall	5817.98	5790.39
Israel	Tel Aviv 100	12.77	12.77

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	18530.47	18324.44
	FTSE Italia Mid Cap	30561.27	29928.57
	FTSE MIB	16863.01	16697.01
Japan	2nd Section	4231.22	4221.48
	Nikkei 225	16664.82	16383.04
	S&P Topix 150	1082.25	1069.01
	Topix	1321.67	1306.94
Jordan	Amman SE	2099.03	2098.94
Kenya	NSE 20	3494.03	3524.59
Kuwait	KSX Market Index	5484.20	5395.89
Latvia	OMX Riga	639.51	642.12
Lithuania	OMX Vilnius	547.00	544.57
Luxembourg	LuxX	1541.69	1531.52
Malaysia	FTSE Bursa KLCI	1663.56	1661.42
Mexico	IPC	47156.91	46927.00
Morocco	MASI	9928.35	9822.12
Netherlands	AEX	452.98	454.06
	AEX All Share	693.11	693.82
New Zealand	NZX 50	7301.90	7310.39
Nigeria	SE All Share	27629.90	27659.44
Norway	Oslo All Share	663.11	665.18
Pakistan	KSE 100	39434.97	39434.97

Country	Index	Latest	Previous
Philippines	Manila Comp	8100.48	8024.54
Poland	Wig	46760.05	46905.60
Portugal	PSI 20	4708.62	4674.00
	PSI General	2480.78	2466.98
Romania	BET Index	6724.19	6655.22
Russia	Micex Index	1930.85	1938.52
	RTX	918.49	924.74
Saudi-Arabia	TADAWUL All Share Index	6470.82	6516.08
Singapore	FTSE Straits Times	2941.49	2933.44
Slovakia	SAX	310.23	310.02
Slovenia	SBI TOP	708.55	709.59
South Africa	FTSE/JSE All Share	53764.26	53638.04
	FTSE/JSE Res 20	31975.91	31624.94
	FTSE/JSE Top 40	46874.05	46788.32
South Korea	Kospi	2025.05	2027.34
	Kospi 200	252.73	252.72
Spain	IBEX 35	8661.40	8560.20
Sri Lanka	CSE All Share	6382.42	6387.85
Sweden	OMX Stockholm 30	1345.44	1359.14
	OMX Stockholm AS	480.68	485.01
Switzerland	SMI Index	8221.33	8227.20

Country	Index	Latest	Previous
Taiwan	Weighted Pr	9063.39	9024.79
Thailand	Bangkok SET	1515.40	1504.81
Turkey	BIST 100	73689.43	74174.01
UAE	Abu Dhabi General Index	4591.73	4614.16
UK	FT 30	2952.20	2925.50
	FTSE 100	6750.43	6724.03
	FTSE 4Good UK	6008.57	5973.84
	FTSE All Share	3663.95	3644.50
	FTSE techMARK 100	4319.63	4288.01
USA	DJ Composite	6469.67	6511.00
	DJ Industrial	18449.19	18473.75
	DJ Transport	7869.86	7980.30
	DJ Utilities	705.72	713.19
	Nasdaq 100	4695.29	4672.11
	Nasdaq Cmp	5129.70	5110.05
	NYSE Comp	10717.61	10772.99
	S&P 500	2163.12	2169.18
	Wilshire 5000	21224.32	21238.05
Venezuela	IBC	12230.07	12462.66
Vietnam	VNI	656.11	648.59

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	243.98	243.63
	Euro Stoxx 50 (Eur)	2998.29	2978.90
	Euronext 100 ID	877.75	872.44
	FTSE 4Good Global ($)	5404.28	5391.11
	FTSE All World	272.31	272.42
	FTSE E300	1351.75	1346.96
	FTSE Eurotop 100	2668.09	2662.61
	FTSE Global 100 ($)	1343.88	1342.80
	FTSE Gold Min ($)	1895.39	1853.72
	FTSE Latibex Top (Eur)	3064.70	3039.50
	FTSE Multinationals ($)	1538.49	1535.92
	FTSE World ($)	482.44	482.74
	FTSEurofirst 100 (Eur)	3803.21	3787.67
	FTSEurofirst 80 (Eur)	4093.07	4065.38
	MSCI ACWI Fr ($)	412.54	412.01
	MSCI All World ($)	1705.99	1703.94
	MSCI Europe (Eur)	1379.02	1375.28
	MSCI Pacific ($)	2308.52	2302.60
	S&P Euro (Eur)	1368.97	1359.36
	S&P Europe 350 (Eur)	1388.59	1384.31
	S&P Global 1200 ($)	1891.66	1893.42
	Stoxx 50 (Eur)	2886.78	2881.22

(c) Closed. (u) Unavaliable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Apple	58.9	102.95	6.28
Facebook	17.1	121.88	0.66
Hospira	11.8	89.95	-0.01
Coca-cola (the)	8.6	43.31	-1.57
Molson Coors Brewing	7.1	90.99	-7.12
Linear Technology	6.9	59.96	-2.53
Mcdonald's	6.4	119.68	-2.04
Microsoft	6.1	56.34	-0.42
Amazon.com	6.0	737.48	1.89
Allergan .	5.3	254.55	5.60

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Garmin Ltd	51.59	5.20	11.21
Illumina	162.28	12.18	8.11
State Street	62.71	4.39	7.53
Edwards Lifesciences	115.46	7.11	6.56
Apple	102.95	6.28	6.50
Downs			
Akamai	48.73	-9.36	-16.11
Robert Half Int	36.07	-5.38	-12.98
Total System Services	51.07	-5.36	-9.50
Wyndham Worldwide	69.94	-7.25	-9.39
Molson Coors Brewing	90.99	-7.12	-7.26

Based on the constituents of the S&P500 and the Nasdaq 100 index

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Sabmiller	330.4	4380.00	-78.49
Glaxosmithkline	179.3	1696.50	27.92
Royal Dutch Shell	164.3	2105.00	-6.87
Bp	124.0	434.05	-0.13
Astrazeneca	117.2	4690.00	22.34
Royal Dutch Shell	109.5	2043.50	-15.50
Royal Bank Of Scotland	107.2	192.10	2.38
British American Tobacco	97.8	4746.50	-27.09
Lloyds Banking	94.8	55.75	1.66
Rio Tinto	89.6	2456.50	42.05

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Brewin Dolphin Holdings	261.60	23.23	9.80
Crest Nicholson Holdings	440.20	38.60	9.61
Morgan Advanced Materials	275.60	22.70	8.98
Metro Bank	2080.00	149.22	7.73
Rightmove	4121.00	273.87	7.23
Downs			
Dignity	2682.00	-127.00	-4.65
Hikma Pharmaceuticals	2561.00	-78.62	-2.98
Drax	341.60	-7.62	-2.20
Essentra	630.50	-14.00	-2.17
Smurfit Kappa	1790.00	-36.18	-1.95

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Santander	530.2	3.86	0.11
Lvmh	363.6	154.45	10.75
Nestle N	310.3	71.91	0.00
Basf Se Na O.n.	299.4	71.98	0.00
Intesa Sanpaolo	292.1	1.93	0.00
Daimler Ag Na O.n.	285.2	60.76	0.00
Unicredit	279.0	2.24	0.00
Deutsche Bank Ag Na O.n.	272.9	12.85	0.00
Volkswagen Ag Vzo O.n.	241.2	124.75	0.00
Novartis N	221.4	75.57	0.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Peugeot	13.64	1.16	9.25
Lvmh	154.45	10.75	7.48
Valeo	46.27	2.47	5.63
Mapfre	2.24	0.11	5.36
Natixis	3.53	0.15	4.49
Downs			
Grifols Sa	14.99	-14.40	-48.99
Bayerische Motoren Werke Ag	64.40	-4.15	-6.05
Industrivarden Ab	16.14	-0.82	-4.81
Kpn Kon	2.94	-0.13	-4.36
Svenska Handelsbanken Ab	11.40	-0.50	-4.18

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Toyota Motor	713.0	5866.00	167.00
Itochu	492.2	1182.50	-79.50
Mitsubishi Ufj Fin,.	482.3	497.30	1.90
Softbank .	479.2	5422.00	50.00
Shin-etsu Chemical Co.,	350.8	7087.00	898.00
Sumitomo Mitsui Fin,.	270.3	3141.00	25.00
Mizuho Fin,.	257.8	159.30	1.00
Fast Retailing Co.,	247.0	33630.00	1100.00
Minebea Co.,	242.1	893.00	108.00
Sony	201.4	3226.00	66.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Tokyo Dome	915.00	446.00	95.10
Mitsumi Electric Co.,	566.00	80.00	16.46
Shin-etsu Chemical Co.,	7087.00	898.00	14.51
Minebea Co.,	893.00	108.00	13.76
Mitsui Chemicals,.	441.00	51.00	13.08
Downs			
Itochu	1182.50	-79.50	-6.30
Yahoo Japan	457.00	-10.00	-2.14
Dai Nippon Printing Co.,	1156.00	-24.00	-2.03
Ntt Docomo,.	2794.50	-43.00	-1.52
Kyowa Hakko Kirin Co.,	1888.00	-28.00	-1.46

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jul 27 price(p)	%Chg week	%Chg ytd
Winners			
Glencore	189.70	7.4	109.1
Ashtead	1209.00	7.2	8.1
Rio Tinto	2456.50	5.4	24.5
Provident Fin	2700.00	5.2	-18.6
Mondi	1521.00	5.1	14.0
Itv	197.30	4.3	-29.2
Burberry	1344.00	4.2	12.6
Bhp Billiton	964.30	4.1	26.9
Whitbread	3814.00	4.0	-13.5
Morrison (wm) Supermarkets	187.00	3.5	26.6
3i	621.00	3.5	28.1
Old Mutual	208.20	3.4	16.5
Losers			
Easyjet	1012.00	-10.5	-42.0
Marks And Spencer	321.50	-3.8	-28.7
Bp	434.05	-3.7	22.7
Associated British Foods	2718.00	-3.3	-18.7
Tesco	157.00	-2.8	4.8
Paddy Power Betfair	8500.00	-2.8	-6.4
Royal Bank Of Scotland	192.10	-2.7	-37.3
Sabmiller	4380.00	-2.4	6.1
Royal Dutch Shell	2043.50	-2.0	33.9
Sainsbury (j)	225.90	-1.7	-12.9
Lloyds Banking	55.75	-1.7	-23.6
Unilever	3525.00	-1.6	20.2

FTSE 250	Jul 27 price(p)	%Chg week	%Chg ytd
Winners			
Hochschild Mining	261.30	21.9	437.6
Virgin Money Holdings (uk)	275.80	19.2	-27.5
William Hill	312.90	17.2	-18.6
Vedanta Resources	562.50	12.4	104.4
Ao World	149.60	11.6	-3.9
Acacia Mining	575.00	10.6	219.5
Morgan Advanced Materials	275.60	10.2	11.4
Restaurant	332.00	9.0	-51.6
Brewin Dolphin Holdings	261.60	8.5	-15.6
Rightmove	4121.00	8.0	-1.5
Ibstock	155.10	7.3	-30.5
Renishaw	2585.00	6.9	39.5
Losers			
Cairn Energy	179.70	-6.8	13.6
Vectura	150.00	-5.7	-15.3
Dfs Furniture	210.70	-5.6	-36.6
Wizz Air Holdings	1441.00	-5.5	-20.7
Drax	341.60	-4.8	38.8
Onesavings Bank	207.40	-4.7	-41.4
Man	117.00	-4.6	-33.3
Tullow Oil	204.80	-4.6	22.2
Countryside Properties	229.20	-4.5	-
Victrex	1523.00	-4.4	-15.6
Sophos	228.60	-4.1	-13.2
Dignity	2682.00	-3.9	2.0

FTSE SmallCap	Jul 27 price(p)	%Chg week	%Chg ytd
Winners			
Brammer	98.25	38.4	-46.1
Game Digital	76.50	25.9	-36.8
Tyman	299.00	14.7	-1.0
St. Ives	110.00	14.6	-50.8
Sdl	438.00	12.4	5.0
Charles Taylor	270.00	12.0	3.8
Chesnara	319.00	11.5	-4.8
Chemring	141.00	11.5	-25.6
Nanoco	70.75	10.5	23.0
Renold	41.25	10.1	-27.8
Fdm (holdings)	575.00	9.9	10.0
Liontrust Asset Management	296.00	9.7	5.5
Losers			
Enquest	24.50	-11.7	28.9
Gulf Marine Services	32.50	-7.7	-71.1
Soco Int	149.25	-7.4	1.4
Premier Oil	66.00	-7.0	36.1
Lookers	101.25	-6.7	-45.3
Georgia Healthcare	320.00	-5.5	101.3
Carpetright	225.00	-4.7	-53.5
Mothercare	135.75	-3.9	-38.3
Lsl Property Services	234.50	-3.9	-17.7
Flybe	38.75	-3.7	-57.7
Foxtons	119.75	-3.6	-36.3
Findel	168.50	-3.0	-15.1

Industry Sectors	Jul 27 price(p)	%Chg week	%Chg ytd
Winners			
Industrial Metals	1628.98	6.3	125.9
Forestry & Paper	16383.24	5.3	14.2
Mining	11622.79	4.4	58.1
Automobiles & Parts	6918.34	3.2	-3.8
Construction & Materials	5584.66	3.2	8.0
Fixed Line Telecommunication	4586.98	3.2	-13.8
Mobile Telecommunications	5233.36	3.1	2.4
Industrial Engineering	9325.04	3.0	30.3
Electronic & Electrical Equip.	4961.06	2.1	16.9
Life Insurance	6665.91	1.7	-14.8
Equity Investment Instruments	7929.85	1.4	6.2
General Financial	8941.05	1.3	-5.4
Losers			
Oil & Gas Producers	7501.11	-2.3	32.5
Food Producers	8006.56	-1.7	-9.6
Tobacco	55545.98	-1.3	20.6
Food & Drug Retailers	2556.57	-0.7	2.1
Personal Goods	30532.59	-0.7	18.1
Health Care Equip.& Services	7902.16	-0.6	9.0
Oil Equipment & Services	13794.22	-0.5	6.2
General Retailers	2500.70	-0.4	-16.8
Electricity	9553.04	-0.2	8.5
Gas Water & Multiutilities	6797.59	0.2	14.3
Aerospace & Defense	4525.93	0.2	9.4
Banks	3249.54	0.2	-14.8

Based on last week's performance. †Price at suspension.

CURRENCIES

Jul 27	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	14.9700	-0.0025	16.4513	0.0047	19.6325	-0.0061
Australia	Australian Dollar	1.3391	0.0084	1.4715	0.0099	1.7561	0.0107
Bahrain	Bahrainin Dinar	0.3773	0.0001	0.4146	0.0002	0.4947	0.0000
Bolivia	Bolivian Boliviano	6.9300	-0.0050	7.6157	-0.0021	9.0884	-0.0079
Brazil	Brazilian Real	3.2876	0.0055	3.6129	0.0077	4.3115	0.0066
Canada	Canadian Dollar	1.3218	0.0005	1.4525	0.0011	1.7334	0.0003
Chile	Chilean Peso	665.1000	2.8150	730.9113	3.4213	872.2509	3.5665
China	Chinese Yuan	6.6696	-0.0066	7.3296	-0.0039	8.7469	-0.0099
Colombia	Colombian Peso	3083.3400	8.0500	3388.4349	10.3681	4043.6717	9.9741
Costa Rica	Costa Rican Colon	546.0000	-0.3600	600.0264	-0.1252	716.0562	-0.5755
Czech Republic	Czech Koruna	24.5994	-0.0053	27.0335	0.0064	32.2611	-0.0116
Denmark	Danish Krone	6.7695	-0.0033	7.4393	-0.0002	8.8779	-0.0055
Egypt	Egyptian Pound	8.8793	0.0227	9.7578	0.0293	11.6448	0.0280
Hong Kong	Hong Kong Dollar	7.7574	0.0009	8.5250	0.0048	10.1736	-0.0003
Hungary	Hungarian Forint	285.2314	-0.0661	313.4549	0.0686	374.0691	-0.1407
India	Indian Rupee	67.1550	-0.1100	73.7999	-0.0876	88.0710	-0.1570
Indonesia	Indonesian Rupiah	13140.0000	-27.5000	14440.2038	-23.7058	17232.5847	-38.5426
Israel	Israeli Shekel	3.8409	-0.0033	4.2210	-0.0018	5.0372	-0.0051
Japan	Japanese Yen	105.6500	1.0050	116.1040	1.1562	138.5556	1.2982
..One Month		105.6499	1.0047	116.1040	1.1563	138.5555	1.2980
..Three Month		105.6496	1.0042	116.1040	1.1562	138.5553	1.2976
..One Year		105.6484	1.0018	116.1039	1.1561	138.5555	1.2968
Kenya	Kenyan Shilling	101.3500	0.0300	111.3785	0.0831	132.9163	0.0202
Kuwait	Kuwaiti Dinar	0.3023	-0.0002	0.3322	-0.0001	0.3965	-0.0003
Malaysia	Malaysian Ringgit	4.0780	0.0160	4.4815	0.0196	5.3481	0.0202
Mexico	Mexican Peson	18.8708	0.0409	20.7380	0.0542	24.7482	0.0500
New Zealand	New Zealand Dollar	1.4195	-	1.5599	0.0007	1.8615	-0.0003
Nigeria	Nigerian Naira	315.0000	4.7500	346.1691	5.3736	413.1093	6.1707
Norway	Norwegian Krone	8.5975	0.0168	9.4483	0.0228	11.2753	0.0205
Pakistan	Pakistani Rupee	104.8250	-	115.1974	0.0519	137.4736	-0.0198
Peru	Peruvian Nuevo Sol	3.3595	-0.0091	3.6919	-0.0084	4.4058	-0.0126
Philippines	Philippine Peso	47.1950	0.0325	51.8649	0.0591	61.8943	0.0337
Poland	Polish Zloty	3.9820	0.0157	4.3760	0.0193	5.2222	0.0199
Romania	Romanian Leu	4.0604	-0.0071	4.4622	-0.0057	5.3250	-0.0100
Russia	Russian Ruble	66.2513	0.0475	72.8068	0.0850	86.8858	0.0498
Saudi Arabia	Saudi Riyal	3.7504	0.0000	4.1214	0.0019	4.9184	-0.0006
Singapore	Singapore Dollar	1.3572	-0.0022	1.4915	-0.0017	1.7799	-0.0031
South Africa	South African Rand	14.2813	-0.1320	15.6944	-0.1379	18.7293	-0.1758
South Korea	South Korean Won	1134.2000	-0.7500	1246.4285	-0.2625	1487.4560	-1.1984
Sweden	Swedish Krona	8.6787	0.0262	9.5375	0.0331	11.3818	0.0327
Switzerland	Swiss Franc	0.9933	0.0008	1.0916	0.0014	1.3027	0.0009
Taiwan	New Taiwan Dollar	32.0590	-0.0475	35.2312	-0.0363	42.0440	-0.0684
Thailand	Thai Baht	34.9800	-0.0155	38.4413	0.0003	45.8748	-0.0269
Tunisia	Tunisian Dinar	2.2382	0.0028	2.4596	0.0041	2.9352	0.0032
Turkey	Turkish Lira	3.0333	-0.0161	3.3334	-0.0161	3.9780	-0.0216
United Arab Emirates	UAE Dirham	3.6731	-	4.0366	0.0018	4.8171	-0.0007
United Kingdom	Pound Sterling	0.7625	0.0001	0.8380	0.0005	-	-
..One Month		0.7626	0.0001	0.8379	0.0005	-	-
..Three Month		0.7627	0.0001	0.8378	0.0005	-	-
..One Year		0.7632	0.0001	0.8371	0.0005	-	-
United States	United States Dollar	-	-	1.0989	0.0005	1.3115	-0.0002
..One Month		-	-	1.0988	-0.2127	1.3115	-0.0002
..Three Month		-	-	1.0985	-0.2127	1.3117	-0.0002
..One Year		-	-	1.0973	-0.2127	1.3122	-0.0002
Venezuela	Venezuelan Bolivar Fuerte	9.9900	0.0100	10.9785	0.0159	13.1015	0.0112
Vietnam	Vietnamese Dong	22305.0000	-	24512.0869	11.0505	29252.0827	-4.2790
European Union	Euro	0.9100	-0.0004	-	-	1.1934	-0.0007
..One Month		0.9098	-0.0004	-	-	1.1933	-0.0007
..Three Month		0.9095	-0.0004	-	-	1.1932	-0.0007
..One Year		0.9083	-0.0004	-	-	1.1925	-0.0007

Rates are derived from WM Reuters Spot Rates and MorningStar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

FTSE ACTUARIES SHARE INDICES — UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jul 27	Day's chge%	Euro Index	£ Strlg Jul 26	£ Strlg Jul 25	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	6750.43	0.39	6278.90	6724.03	6710.13	6555.28	3.70	0.75	35.81	141.40	5412.79
FTSE 250 (250)	17265.91	1.15	16059.87	17069.10	17090.98	17387.89	2.67	1.97	19.02	272.28	12214.71
FTSE 250 ex Inv Co (209)	18570.04	1.33	17272.90	18326.55	18366.80	18910.74	2.71	2.10	17.56	296.01	13396.59
FTSE 350 (350)	3722.50	0.52	3462.48	3703.39	3697.75	3636.83	3.53	0.90	31.30	74.79	6008.99
FTSE 350 ex Investment Trusts (309)	3696.76	0.53	3438.54	3677.43	3672.06	3614.91	3.56	0.90	31.17	74.75	3073.03
FTSE 350 Higher Yield (125)	3497.63	0.45	3253.31	3482.08	3477.50	3360.20	4.90	0.45	45.08	95.87	5841.17
FTSE 350 Lower Yield (225)	3581.44	0.60	3331.27	3560.25	3553.98	3564.12	1.97	2.18	23.23	42.19	3838.49
FTSE SmallCap (280)	4747.33	1.04	4415.73	4698.37	4693.68	4656.45	2.93	1.36	25.18	76.52	6619.78
FTSE SmallCap ex Inv Co (145)	4190.96	1.55	3898.22	4126.95	4124.72	4192.85	3.10	1.80	17.94	71.61	6139.64
FTSE All-Share (630)	3663.95	0.53	3408.02	3644.50	3639.01	3580.04	3.51	0.92	31.05	73.13	5982.06
FTSE All-Share ex Inv Co (454)	3623.07	0.54	3369.99	3603.47	3598.26	3544.31	3.55	0.92	30.76	73.06	3061.36
FTSE All-Share ex Multinationals (566)	1107.75	1.19	853.99	1094.76	1096.89	1238.35	3.16	1.39	22.69	20.55	1923.25
FTSE Fledgling (104)	7934.15	0.65	7379.94	7883.10	7865.51	7984.71	2.71	1.54	24.04	111.70	14509.71
FTSE Fledgling ex Inv Co (53)	10310.02	0.93	9589.86	10215.52	10177.28	10920.71	3.09	2.00	16.16	145.60	18329.88
FTSE All-Small (384)	3291.47	1.02	3061.56	3258.19	3254.73	3232.83	2.92	1.36	25.12	52.72	5892.45
FTSE All-Small ex Inv Co Index (198)	3123.83	1.52	2905.63	3076.94	3074.86	3132.27	3.10	1.81	17.86	53.03	5797.60
FTSE AIM All-Share Index (824)	751.23	0.67	698.76	746.27	744.49	749.16	1.71	0.64	91.92	6.01	815.32
FTSE Sector Indices											
Oil & Gas (16)	**7869.71**	**-0.29**	**7320.00**	**7892.34**	**7878.34**	**6722.39**	**5.65**	**-0.49**	**-35.90**	**228.12**	**6832.86**
Oil & Gas Producers (9)	7537.68	-0.36	7011.17	7564.74	7551.60	6360.53	5.68	-0.51	-34.45	218.77	6768.88
Oil Equipment Services & Distribution (7)	14313.28	2.16	13313.48	14011.26	13969.24	17422.47	4.47	0.26	86.94	394.46	10824.14
Basic Materials (27)	**4095.10**	**1.06**	**3809.05**	**4052.12**	**3971.54**	**3875.40**	**3.35**	**0.22**	**137.18**	**53.46**	**4086.80**
Chemicals (7)	12804.22	0.49	11909.83	12741.97	12787.32	11797.03	2.32	2.08	20.78	239.20	11238.64
Forestry & Paper (1)	17877.12	-0.65	16628.39	17994.66	17254.18	17806.60	2.61	2.97	12.87	347.94	18985.66
Industrial Metals & Mining (2)	1625.87	1.74	1512.30	1598.06	1559.70	1044.65	0.35	2.79	101.83	0.00	1418.88
Mining (17)	11200.43	1.23	10418.07	11064.66	10822.47	10685.18	3.56	-0.06	-487.75	134.88	5850.10
Industrials (117)	**4699.86**	**0.99**	**4371.57**	**4653.59**	**4645.94**	**4472.31**	**2.44**	**1.43**	**28.76**	**69.44**	**4745.03**
Construction & Materials (15)	5696.68	1.80	5298.76	5596.14	5588.59	5094.69	2.22	0.04	1078.53	86.07	5918.64
Aerospace & Defense (9)	4685.25	0.97	4357.98	4640.31	4605.99	4494.50	2.52	1.51	26.33	71.61	4923.05
General Industrials (6)	4090.60	0.00	3804.87	4090.47	4061.60	3606.74	2.90	1.19	28.99	48.86	4511.89
Electronic & Electrical Equipment (10)	6145.31	2.05	5716.06	6021.88	6014.71	5277.30	2.03	1.88	26.16	74.29	5515.65
Industrial Engineering (13)	9930.87	1.50	9237.19	9783.93	9762.07	8714.65	2.71	1.33	27.75	163.97	11865.25
Industrial Transportation (8)	4605.32	0.73	4283.63	4571.86	4553.51	4333.17	3.76	1.02	26.18	122.16	3985.15
Support Services (56)	6887.67	0.84	6406.56	6830.51	6839.84	6802.27	2.28	1.78	24.66	96.41	7014.59
Consumer Goods (39)	**20325.97**	**-0.31**	**18906.18**	**20389.77**	**20381.81**	**17264.94**	**2.68**	**1.84**	**20.24**	**281.43**	**14553.68**
Automobiles & Parts (1)	6953.79	-1.69	6468.06	7073.64	6812.78	7440.25	2.94	1.29	26.30	136.30	6528.84
Beverages (6)	17137.38	-0.83	15940.32	17281.49	17208.87	14049.92	2.27	1.60	27.54	113.34	11757.63
Food Producers (8)	8120.38	0.48	7553.16	8081.68	8080.70	8194.99	2.04	1.84	26.65	94.31	6876.53
Household Goods & Home Construction (15)	13709.62	1.57	12751.99	13497.66	13571.04	13133.38	2.26	2.67	16.56	153.86	9430.30
Leisure Goods (1)	5137.43	0.00	4778.58	5137.43	5195.81	5231.90	3.32	1.50	20.11	129.52	4453.30
Personal Goods (6)	26573.37	-0.35	24717.20	26667.55	26514.13	22984.12	2.60	3.41	11.30	383.12	17422.28
Tobacco (2)	55546.08	-0.99	51666.13	56098.96	56264.50	42972.31	3.36	1.19	25.12	1163.34	34666.27
Health Care (19)	**10566.64**	**0.92**	**9828.55**	**10470.18**	**10433.29**	**9295.24**	**3.16**	**0.48**	**65.68**	**211.12**	**7887.28**
Health Care Equipment & Services (8)	7975.51	-0.06	7418.42	7980.58	7989.45	6765.65	1.38	2.21	32.82	64.89	6823.29
Pharmaceuticals & Biotechnology (11)	14295.47	1.02	13296.92	14151.08	14094.61	12623.24	3.33	0.41	72.95	303.96	9493.71
Consumer Services (93)	**4629.68**	**1.03**	**4306.29**	**4582.69**	**4611.11**	**4974.96**	**2.63**	**1.82**	**20.87**	**77.09**	**4248.53**
Food & Drug Retailers (7)	2666.52	1.48	2480.26	2627.53	2700.56	3236.59	1.55	2.48	25.98	29.93	3082.51
General Retailers (31)	2457.61	1.37	2285.94	2424.44	2444.87	3113.34	3.05	2.14	15.28	41.81	2737.85
Media (21)	7649.26	1.49	7114.96	7536.95	7573.99	7382.15	2.80	1.34	26.65	135.65	4599.52
Travel & Leisure (34)	8128.96	0.32	7561.14	8103.15	8106.20	8426.23	2.57	1.99	19.54	138.05	7535.81
Telecommunications (6)	**3840.95**	**0.31**	**3572.66**	**3829.11**	**3814.03**	**4091.20**	**4.36**	**-0.26**	**-88.11**	**85.24**	**4115.32**
Fixed Line Telecommunications (4)	4671.71	0.68	4345.39	4640.05	4512.20	5371.82	3.39	1.82	16.24	11.68	4061.86
Mobile Telecommunications (2)	5225.44	0.10	4860.44	5219.96	5267.00	5320.75	4.89	-1.05	-19.39	172.86	5056.57
Utilities (7)	**9511.21**	**-0.34**	**8846.84**	**9543.40**	**9569.04**	**8179.37**	**4.26**	**1.58**	**14.83**	**236.29**	**10413.80**
Electricity (2)	9531.34	-0.12	8865.57	9542.90	9565.48	8724.01	5.16	1.48	13.11	146.48	12917.51
Gas Water & Multiutilities (5)	8983.71	-0.39	8356.19	9018.99	9043.93	7602.35	4.04	1.61	15.34	245.09	9901.48
Financials (288)	**4135.36**	**1.08**	**3846.50**	**4091.26**	**4087.65**	**4879.36**	**4.05**	**1.46**	**16.91**	**105.69**	**3706.56**
Banks (11)	3208.59	1.29	2984.47	3167.70	3152.20	4388.06	5.14	0.86	22.67	102.10	2283.82
Nonlife Insurance (10)	3025.35	0.02	2814.03	3024.68	3027.88	2672.81	2.72	2.29	16.05	53.63	5181.97
Life Insurance/Assurance (10)	6766.11	1.72	6293.49	6651.58	6679.48	8030.70	4.36	1.53	15.03	201.97	6389.49
Index- Real Estate Investment & Services (20)	2448.86	1.82	2277.81	2405.18	2440.64	3190.15	2.70	3.58	10.35	38.38	6386.44
Real Estate Investment Trusts (28)	2672.65	0.52	2485.96	2658.92	2660.00	3051.89	3.52	4.49	6.33	59.18	3227.60
General Financial (33)	7638.01	1.34	7104.49	7536.93	7561.90	8011.54	3.41	1.89	15.55	170.52	8484.29
Equity Investment Instruments (176)	8161.83	0.28	7591.72	8139.05	8114.45	7738.36	2.57	0.97	40.25	121.73	4362.73
Non Financials (342)	**4466.37**	**0.37**	**4154.39**	**4449.68**	**4442.17**	**4101.24**	**3.35**	**0.73**	**41.14**	**81.85**	**6383.78**
Technology (18)	**1959.19**	**0.40**	**1822.34**	**1951.46**	**1952.08**	**1350.43**	**1.12**	**1.64**	**54.33**	**14.65**	**2476.30**
Software & Computer Services (12)	2133.35	0.68	1984.33	2119.00	2105.23	1674.49	1.75	1.60	35.56	26.40	2838.59
Technology Hardware & Equipment (6)	2449.49	0.21	2278.39	2444.37	2456.22	1532.64	0.70	1.71	83.89	10.68	2832.00

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	6747.94	6744.82	6744.06	6743.06	6753.89	6767.55	6768.49	6778.47	6749.25	6779.55	6737.64
FTSE 250	17099.82	17132.85	17164.10	17150.99	17281.19	17260.46	17325.92	17327.34	17275.19	17362.01	17099.82
FTSE SmallCap	4704.63	4710.15	4715.03	4720.07	4726.29	4734.75	4736.58	4746.87	4743.50	4747.33	4704.63
FTSE All-Share	3656.19	3656.06	3656.91	3656.16	3665.45	3670.95	3673.60	3678.30	3663.63	3679.14	3652.60

Time of FTSE 100 Day's high:13:53:45 Day's Low08:26:45 FTSE 100 2010/11 High: 6730.48(22/07/2016) Low: 5536.97(11/02/2016)
Time of FTSE All-Share Day's high:13:55:00 Day's Low08:27:00 FTSE 100 2010/11 High: 3644.50(26/07/2016) Low: 3046.53(11/02/2016)

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FT 30 INDEX

	Jul 27	Jul 26	Jul 25	Jul 22	Jul 21	Yr Ago	High	Low
FT 30	2952.20	2925.50	2935.90	2924.10	2922.30	0.00	2942.40	2508.90
FT 30 Div Yield	1.57	1.57	1.57	1.58	1.59	0.00	3.93	2.74
P/E Ratio net	28.45	28.41	28.37	28.33	28.15	0.00	19.44	14.26

FT 30 since compilation: 4198.4 high: 19/07/1999; low49.4 26/06/1940Base Date: 1/7/35

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2925.5	2940.9	2947.5	2947.1	2954.8	2957.2	2959	2960.1	2950.4	2961.5	2925.5

FT30 constituents and recent additions/deletions can be found at www.ft.com/ft30

FX: EFFECTIVE INDICES

	Jul 26	Jul 25	Mnth Ago
Australia	91.72	91.54	89.99
Canada	88.50	88.49	90.28
Denmark	107.45	107.44	106.99
Japan	147.92	145.94	150.37
New Zealand	115.28	114.82	115.52
Norway	86.04	86.14	86.03

	Jul 27	Jul 26	Mnth Ago
Sweden	78.12	78.23	78.96
Switzerland	158.92	159.95	160.65
UK	79.59	79.70	81.84
USA	101.24	101.71	99.09
Euro	88.34	88.38	87.50

Source: Bank of England. New Sterling ERI base Jan 2005 = 100. Other indices base average 1990 = 100. Index rebased 1/2/95. for further information about ERIs see www.bankofengland.co.uk

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Industrial Metals &	115.10	Chemicals	11.16	FTSE SmallCap Index	0.83
Mining	54.57	Electronic & Elec Eq	10.98	Media	0.41
Tech Hardware & Eq	53.75	Forestry & Paper	10.20	Household Goods & Ho	-2.01
Basic Materials	45.67	Pharmace & Biotech	10.16	FTSE 250 Index	-2.56
Oil & Gas Producers	36.16	Health Care	10.04	Telecommunications	-4.78
Oil & Gas	35.08	Health Care Eq & Srv	8.57	Leisure Goods	-5.30
Technology	34.55	Electricity	7.96	Consumer Services	-6.83
Industrial Eng	27.71	FTSE 100 Index	7.82	Financial Services	-7.15
Tobacco	22.52	Aerospace & Defense	6.86	Automobiles & Parts	-7.72
Personal Goods	18.43	Industrials	5.93	Travel & Leisure	-8.88
Gas Water & Multi	14.47	FTSE All{HY-}Share Index	5.79	Food Producers	-9.05
Industrial Transport	14.39	Nonlife Insurance	5.71	Financials	-10.87
Utilities	13.13	Oil Equipment & Serv	5.52	Real Est Invest & Tr	-10.98
Software & Comp Serv	12.88	Equity Invest Instr	4.91	Banks	-15.88
NON FINANCIALS Index	11.81	Construct & Material	3.80	Life Insurance	-16.76
Beverages	11.68	Mobile Telecomms	3.51	Fixed Line Telecomms	-17.33
Consumer Goods	11.47	Food & Drug Retailer	2.12	General Retailers	-17.90
		Support Services	1.82	Real Est Invest & Se	-22.33

FTSE GLOBAL EQUITY INDEX SERIES

Jul 27 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	7718	467.12	0.2	6.2	3.6	649.58	5.3	2.5
FTSE Global All Cap	7079	462.39	0.3	7.3	-0.3	624.68	0.2	2.5
FTSE Global Large Cap	1426	410.35	0.0	6.2	2.9	584.40	4.7	2.7
FTSE Global Mid Cap	1642	632.51	0.4	6.1	5.1	837.52	6.5	2.1
FTSE Global Small Cap	4650	663.37	0.4	6.2	5.8	851.70	7.0	2.0
FTSE All-World	3068	272.42	0.1	6.2	3.3	399.88	5.0	2.6
FTSE World	2543	482.74	0.1	6.2	3.2	951.16	5.0	2.6
FTSE Global All Cap ex UNITED KINGDOM In	7392	483.19	0.2	6.3	4.2	662.33	5.9	2.4
FTSE Global All Cap ex USA	5770	419.29	0.2	5.8	0.5	621.74	2.7	3.1
FTSE Global All Cap ex JAPAN	6453	478.38	0.2	6.2	4.2	671.38	6.0	2.5
FTSE Global All Cap ex Eurozone	7073	485.61	0.1	6.3	4.7	662.56	6.2	2.4
FTSE Developed	2096	437.97	0.1	6.1	2.6	613.63	4.3	2.5
FTSE Developed All Cap	5685	460.73	0.2	6.1	3.0	638.24	4.6	2.5
FTSE Developed Large Cap	900	403.75	0.1	6.1	2.3	573.75	4.0	2.6
FTSE Developed Europe Large Cap	223	313.05	0.2	5.0	-5.1	507.92	-2.3	3.7
FTSE Developed Europe Mid Cap	308	485.87	0.2	3.8	-5.2	712.25	-3.0	2.8
FTSE Dev Europe Small Cap	705	677.84	0.1	2.8	-7.3	963.88	-5.6	2.7
FTSE North America Large Cap	291	461.79	-0.1	6.2	5.8	615.80	7.2	2.2
FTSE North America Mid Cap	394	702.67	0.6	6.7	9.7	875.86	10.8	1.7
FTSE North America Small Cap	1478	705.88	0.6	6.9	10.0	856.12	11.1	1.7
FTSE North America	685	310.25	0.1	6.3	6.5	423.75	7.8	2.1
FTSE Developed ex North America	1411	220.02	0.2	5.8	-2.9	350.34	-0.7	3.2
FTSE Japan Large Cap	177	312.73	-0.2	6.0	-4.6	395.88	-3.4	2.4
FTSE Japan Mid Cap	307	486.63	0.1	5.3	-1.0	593.87	0.0	2.0
FTSE Global wi JAPAN Small Cap	781	537.06	0.3	6.9	2.0	677.63	3.2	2.1
FTSE Japan	484	131.10	-0.1	5.9	-3.8	186.41	-2.7	2.3
FTSE Asia Pacific Large Cap ex Japan	549	576.57	0.5	8.4	6.6	880.08	8.7	3.2
FTSE Asia Pacific Mid Cap ex Japan	420	791.93	0.3	8.1	6.0	1161.69	7.8	2.8
FTSE Asia Pacific Small Cap ex Japan	1443	517.19	0.3	6.6	3.6	746.89	5.1	2.6
FTSE Asia Pacific Ex Japan	969	457.34	0.5	8.4	6.5	741.69	8.6	3.1
FTSE Emerging All Cap	2033	629.76	0.0	7.6	10.2	917.13	12.6	3.0
FTSE Emerging Large Cap	526	593.12	-0.1	7.5	10.1	869.94	12.6	3.1
FTSE Emerging Mid Cap	446	810.94	0.1	8.4	14.2	1172.48	16.4	2.7
FTSE Emerging Small Cap	1061	656.56	0.0	7.2	6.6	917.76	8.4	2.8
FTSE Emerging Europe	112	295.02	-0.8	0.8	10.5	447.42	14.1	4.2
FTSE Latin America All Cap	236	774.43	-0.5	10.7	29.4	1161.11	31.3	3.0
FTSE Middle East and Africa All Cap	219	699.79	0.3	8.8	13.1	1060.93	15.1	2.8
FTSE Global wi UNITED KINGDOM All Cap In	326	311.26	0.1	5.0	-5.4	502.89	-3.3	3.6
FTSE Global wi USA All Cap	1948	533.18	0.1	6.6	6.4	691.34	7.6	2.0
FTSE Europe All Cap	1423	362.44	0.2	4.5	-5.0	569.19	-2.3	3.5
FTSE Eurozone All Cap	645	336.92	0.3	5.4	-6.1	535.85	-3.3	3.4
FTSE RAFI All World 3000	3042	5584.51	0.2	6.1	2.9	7177.57	5.0	3.2
FTSE RAFI US 1000	999	9500.72	0.3	6.2	7.4	12179.00	8.9	2.4
FTSE EDHEC-Risk Efficient All-World	3068	332.30	0.2	6.1	5.3	453.10	6.8	2.2
FTSE EDHEC-Risk Efficient Developed Europe	531	269.50	0.2	4.5	-3.5	401.98	-1.4	2.7

Jul 27 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil & Gas	151	342.85	0.2	0.2	12.4	535.08	14.8	3.6
Oil & Gas Producers	110	320.70	0.2	0.2	12.4	509.72	14.8	3.7
Oil Equipment & Services	31	316.81	0.3	0.3	14.1	449.91	16.3	3.1
Basic Materials	256	390.82	0.7	0.7	11.2	583.37	13.3	2.8
Chemicals	125	587.70	0.2	0.2	-0.7	881.88	1.4	2.8
Forestry & Paper	16	208.76	1.9	1.9	6.5	344.12	9.3	3.6
Industrial Metals & Mining	62	321.30	0.8	0.8	24.9	478.63	26.3	2.3
Mining	53	482.94	1.8	1.8	49.2	718.13	51.4	3.0
Industrials	535	319.30	0.4	0.4	6.7	450.42	8.3	2.3
Construction & Materials	111	458.99	0.6	0.6	9.5	678.69	11.3	2.1
Aerospace & Defense	26	530.20	1.1	1.1	4.7	740.81	6.2	2.3
General Industrials	55	231.92	-0.1	-0.1	6.9	351.94	8.7	2.5
Electronic & Electrical Equipment	69	322.14	0.2	0.2	1.8	417.48	2.9	1.9
Industrial Engineering	104	590.28	0.7	0.7	10.2	821.35	12.1	2.5
Industrial Transportation	95	539.07	0.3	0.3	8.9	759.17	10.6	2.5
Support Services	75	289.55	0.3	0.3	5.0	391.63	6.2	1.9
Consumer Goods	424	433.19	-0.2	-0.2	4.0	625.79	5.6	2.4
Automobiles & Parts	104	345.91	0.2	0.2	-9.4	481.99	-7.6	3.0
Beverages	48	603.42	-0.4	-0.4	5.5	881.34	6.8	2.4
Food Producers	104	610.67	-0.2	-0.2	9.3	909.47	11.2	2.1
Household Goods & Home Construction	47	422.90	-0.2	-0.2	5.3	607.39	7.0	2.3
Leisure Goods	31	154.30	1.0	1.0	17.0	199.60	17.6	1.3
Personal Goods	79	618.12	-0.3	-0.3	3.4	848.43	4.7	2.0
Tobacco	11	1358.13	-0.9	-0.9	11.6	2707.89	13.9	3.5
Health Care	177	465.62	0.0	0.0	1.6	657.45	3.0	1.9
Health Care Equipment & Services	63	726.81	0.5	0.5	11.9	838.46	12.5	1.0
Pharmaceuticals & Biotechnology	114	342.00	-0.2	-0.2	-1.7	503.07	-0.1	2.3
Consumer Services	392	399.12	0.0	0.0	2.4	524.28	3.5	1.8
Food & Drug Retailers	54	303.03	-0.1	-0.1	1.1	414.65	2.3	1.9
General Retailers	123	553.63	0.2	0.2	3.9	708.44	4.9	1.6
Media	84	298.75	-0.2	-0.2	3.3	393.88	4.6	2.0
Travel & Leisure	131	380.66	0.0	0.0	-0.2	505.02	0.9	1.8
Telecommunication	91	170.03	-0.3	-0.3	8.0	307.17	10.9	3.9
Fixed Line Telecommuniations	42	146.06	-0.9	-0.9	10.2	289.59	13.6	4.3
Mobile Telecommunications	49	172.76	0.6	0.6	4.9	281.53	7.1	3.4
Utilities	164	267.29	-0.3	-0.3	12.7	501.46	15.4	3.6
Electricity	111	291.19	-0.4	-0.4	12.5	540.07	15.1	3.5
Gas Water & Multiutilities	53	284.47	-0.2	-0.2	13.0	548.05	15.9	3.7
Financials	692	191.21	0.1	0.1	-4.7	303.60	-2.6	3.3
Banks	246	161.16	0.1	0.1	-9.7	273.80	-7.3	3.9
Nonlife Insurance	68	209.04	0.0	0.0	-2.5	296.99	-0.5	2.6
Life Insurance	51	176.73	0.4	0.4	-10.9	274.35	-8.8	3.5
Financial Services	154	218.16	0.0	0.0	-1.9	294.46	-0.6	2.2
Technology	186	183.62	0.4	0.4	5.4	221.51	6.6	1.8
Software & Computer Services	90	327.87	0.0	0.0	5.7	378.77	6.4	1.1
Technology Hardware & Equipment	96	132.70	0.9	0.9	5.0	165.56	6.8	2.6
Alternative Energy	10	98.72	1.1	1.1	-4.5	132.31	-3.3	1.4
Real Estate Investment & Services	102	292.87	0.1	0.1	3.6	476.20	5.5	2.6

The 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) - please see www.ftse.com/geis. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change
3I Group PLC	621.00	12.50
Admiral Group PLC	2144	2.00
Anglo American PLC	799.20	17.10
Antofagasta PLC	493.30	5.70
Arm Holdings PLC	1675	-1.00
Ashtead Group PLC	1209	24.00
Associated British Foods PLC	2718	2.00
Astrazeneca PLC	4690	51.50
Aviva PLC	392.00	12.50
Babcock International Group PLC	973.00	13.50
Bae Systems PLC	539.50	5.00
Barclays PLC	149.75	0.75
Barratt Developments PLC	432.90	27.60
Berkeley Group Holdings (The) PLC	2679	134.00
Bhp Billiton PLC	964.30	13.30
BP PLC	434.05	-0.55
British American Tobacco PLC	4746.5	-35.50
British Land Company PLC	662.50	4.50
Bt Group PLC	402.10	2.40
Bunzl PLC	2352	-1.00
Burberry Group PLC	1344	28.00
Capita PLC	975.00	-14.00
Carnival PLC	3594	-13.00
Centrica PLC	242.00	0.50
Coca-Cola Hbc AG	1575	-8.00
Compass Group PLC	1466	-10.00
Crh PLC	2287	37.00
Dcc PLC	6745	-50.00
Diageo PLC	2138	-22.00
Direct Line Insurance Group PLC	349.10	5.30
Dixons Carphone PLC	352.40	16.30
Easyjet PLC	1012	22.50
Experian PLC	1472	1.00
Fresnillo PLC	1847	-20.00
Gkn PLC	295.90	-5.10
Glaxosmithkline PLC	1696.5	29.50
Glencore PLC	189.70	2.80
Hammerson PLC	552.50	-0.50
Hargreaves Lansdown PLC	1296	29.00
Hikma Pharmaceuticals PLC	2561	-80.00
HSBC Holdings PLC	497.70	3.70
Imperial Brands PLC	3946	-62.00
Informa PLC	751.00	1.00
Intercontinental Hotels Group PLC	3017	-9.00
International Consolidated Airlines Group S.A.	416.40	16.60
Intertek Group PLC	3654	4.00
Intu Properties PLC	294.50	5.80
Itv PLC	197.30	12.50
Johnson Matthey PLC	3243	15.00
Kingfisher PLC	331.20	6.00
Land Securities Group PLC	1095	2.00

FTSE 100	Closing Price	Day's Change
Legal & General Group PLC	203.80	4.50
Lloyds Banking Group PLC	55.75	1.62
London Stock Exchange Group PLC	2749	32.00
Marks And Spencer Group PLC	321.50	1.80
Mediclinic International PLC	1068	-19.00
Merlin Entertainments PLC	474.00	-3.50
Mondi PLC	1521	-10.00
Morrison (Wm) Supermarkets PLC	187.00	5.40
National Grid PLC	1101	-7.50
Next PLC	5005	31.00
Old Mutual PLC	208.20	2.50
Paddy Power Betfair PLC	8500	-145.00
Pearson PLC	972.00	7.50
Persimmon PLC	1681	93.00
Provident Financial PLC	2700	-48.00
Prudential PLC	1339	9.00
Randgold Resources LD	8655	-30.00
Reckitt Benckiser Group PLC	7444	-56.00
RELX PLC	1406	-3.00
Rio Tinto PLC	2456.5	33.50
Rolls-Royce Holdings PLC	732.00	5.00
Royal Bank Of Scotland Group PLC	192.10	5.10
Royal Dutch Shell PLC	2105	-7.00
Royal Dutch Shell PLC	2043.5	-15.50
Royal Mail PLC	511.00	3.00
Rsa Insurance Group PLC	498.00	0.20
Sabmiller PLC	4380	-30.00
Sage Group PLC	702.00	-0.50
Sainsbury (J) PLC	225.90	2.80
Schroders PLC	2640	54.00
Severn Trent PLC	2478	5.00
Shire PLC	4906	-1.00
Sky PLC	887.50	9.00
Smith & Nephew PLC	1300	4.00
Smiths Group PLC	1266	17.00
Sse PLC	1626	-
St. James's Place PLC	917.50	33.50
Standard Chartered PLC	630.10	6.50
Standard Life PLC	297.50	3.90
Taylor Wimpey PLC	154.60	9.70
Tesco PLC	157.00	1.50
Travis Perkins PLC	1565	64.00
Tui AG	937.00	12.50
Unilever PLC	3525	-31.00
United Utilities Group PLC	1020	-4.00
Vodafone Group PLC	232.85	0.30
Whitbread PLC	3814	63.00
Wolseley PLC	4166	66.00
Worldpay Group PLC	292.10	-0.80
WPP PLC	1692	-

UK STOCK MARKET TRADING DATA

	Jul 27	Jul 26	Jul 25	Jul 22	Jul 21	Yr Ago
SEAQ Bargains	4429.00	4794.00	4332.00	4332.00	4332.00	4291.00
Order Book Turnover (m)	89.92	150.94	70.92	70.92	70.92	131.90
Order Book Bargains	869445.00	763123.00	771023.00	771023.00	771023.00	892035.00
Order Book Shares Traded (m)	1545.00	1305.00	1296.00	1296.00	1296.00	1499.00
Total Equity Turnover (£m)	3991.23	3246.84	3288.34	3288.34	3288.34	3545.11
Total Mkt Bargains	955171.00	838169.00	832171.00	832171.00	832171.00	961143.00
Total Shares Traded (m)	4254.00	3447.00	4523.00	4523.00	4523.00	3388.00

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. (u) Unavaliable. (c) Market closed.

UK RIGHTS OFFERS

Issue price	Amount paid up	Latest renun. date	High	Low	Stock	closing Price p	+or-
95p	Nil	23-08-16	674.50	660.00	Melrose Industries PLC	671.00	11.00

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Aberforth Smaller Companies Trust	Int			**134.754L**	167.744	**22.67**	21.15	**8.6**	8.15	Aug 25	**26.353**	25.15
ARM Holdings	Int	**544.1**	456	**208**	198.1	**12.9**	11.5	**3.78**	3.15	Oct 10	**9.379**	7.65
Capita	Int	**2430**	2288.9	**186.1**	146.1	**22.44**	17.69	**11.1**	10.5	Nov 30	**32.185**	30.1
Dignity	Int	**158**	158.7	**41.5**	45	**65.9**	71	**7.85**	7.14	Oct 28	**22.082**	20.15
GlaxoSmithKline	Int	**12761**	11510	**242**	10075	**3.2L**	170.7	**19**	19	Oct 13	**79.772**	80
ITV	Int	**1503**	1356	**309**	327	**6.4**	6.4	**2.4**	1.9	Nov 28	**6.478**	5.2
Jupiter Fund Management	Int	**170**	169.4	**86.6**	84	**15.3**	14.9	**4.5**	4	Aug 26	**15.042**	13.5
Metro Bank	Int	**84072**	-	**16883L**	-	**21131.4L**	-	**-**	-	-	**-**	-
Morgan Advanced Materials	Int	**475.4**	469.2	**46.2**	49.2	**10.2**	11.4	**4**	4	Nov 25	**10.962**	11
Rathbone Brothers	Int	**120.201**	116.833	**22.825**	31.765	**35.7**	53.2	**21**	21	Oct 5	**54.815**	54
Renishaw	Pre	**436.598**	494.72	**80.036**	144.196	**94.9**	167.5	**35.5**	34	Oct 17	**48**	46.5
Rightmove	Int	**107.882**	93.113	**80.551**	66.622	**68.42**	55.17	**19**	16	Nov 4	**45.853**	38
St James's Place	Int	**3303.4**	2039.2	**97**	103.7	**9.3**	10.4	**12.33**	10.72	Sep 30	**29.476**	25.09
Taylor Wimpey	Int	**1457.2**	1335.3	**268.8**	237.2	**6.6**	5.8	**0.53**	0.49	Oct 7	**1.704**	1.81

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
07/27	11.00			WideCells Group PLC	-	-	-	-	-
07/26	151.00			SEC SpA	153.50	-	155.00	153.75	1876.1
07/08	161.00	AIM	DAR	Dorcaster PLC	163.50	0.00	168.00	163.00	1635.0
06/21	50.00	AIM	COM	Comptoir Group PLC	58.50	0.80	70.90	50.00	5616.0

§Placing price. *Intoduction. ‡When issued. Annual report/prospectus available at www.ft.com/ir
For a full explanation of all the other symbols please refer to London Share Service notes.

MANAGED FUNDS SERVICE

ACPI Global UCITS Funds Plc (IRL)
www.acpishard.com
Regulated

Fund	Bid	Offer	D+/-	Yield
ACPI Emerging Mkts FI UCITS Fund USD A	$ 118.64	-	-0.42	0.00
ACPI Global Credit UCITS Funds USD A	$ 14.66	-	0.00	0.00
ACPI Global Fixed Income UCITS Fund USD A	$ 158.46	-	0.01	0.00
Q ACPI India Fixed Income UCITS Fund USD A	$ 10.44	-	0.01	0.00
ACPI India Fixed Income UCITS Fund USD A3	$ 89.12	-	0.09	0.00
ACPI International Bond UCITS Fund USD A	$ 18.70	-	0.00	0.00

ACPI Select UCITS Funds PLC (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
ACPI Balanced UCITS Fund USD Retail	$ 14.43	-	0.00	0.00
ACPI Balanced UCITS Fund EUR Retail	€ 10.79	-	0.00	0.00
ACPI Balanced UCITS Fund GBP Retail	£ 10.95	-	0.00	0.00
ACPI Balanced UCITS Fund USD Institutional	$ 10.00	-	-	-
ACPI Balanced UCITS Fund EUR Institutional	€ 10.00	-	-	-
ACPI Balanced UCITS Fund GBP Institutional	£ 10.00	-	-	-
ACPI Horizon UCITS Fund	$ 13.08	-	-0.03	0.00

Algebris INVESTMENTS

Algebris Investments (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Algebris Financial Credit Fund - Class I EUR	€ 135.98	-	-0.12	0.00
Algebris Financial Income Fund - Class I EUR	€ 111.05	-	-0.08	0.00
Algebris Financial Equity Fund - Class B EUR	€ 87.50	-	0.34	0.00
Algebris Asset Allocation Fund - Class B EUR	€ 96.18	-	0.36	0.00

Amundi Funds (LUX)
5 Allee Scheffer L-2520 Luxembourg + 44 (0)20 7074 9332
www.amundi-funds.com
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Bd. Euro Corporate AE Class - R - EUR	€ 19.34	-	-0.02	0.00
Bd. Global AU Class - R - USD	$ 27.37	-	0.06	0.00
Eq. Emerging Europe AE Class - R - EUR	€ 26.83	-	-0.24	0.00
Eq. Emerging World AU Class - R - USD	$ 87.09	-	0.14	0.00
Eq. Greater China AU Class - R - USD	$ 576.90	-	5.72	0.00
Eq. Latin America AU Class - R - USD	$ 373.78	-	-0.97	0.00
Gl. Macro Bds & Curr Low Vol AHG - GBP	£ 98.95	-	-0.04	0.00

The Antares European Fund Limited
Other International

Fund	Bid	Offer	D+/-	Yield
AEF Ltd Usd (Est)	$ 585.83	-	10.38	-
AEF Ltd Eur (Est)	€ 587.27	-	10.27	0.00

Arisaig Partners
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Arisaig Africa Consumer Fund Limited	$ 12.54	-	-0.02	0.00
Arisaig Asia Consumer Fund Limited	$ 66.69	-	-0.02	0.00
Arisaig Global Emerging Markets Consumer Fund	$ 10.32	-	-0.01	0.00
Arisaig Global Emerging Markets Consumer UCITS	€ 12.14	-	-0.02	0.00
Arisaig Global Emerging Markets Consumer UCITS STG	£ 12.86	-	-0.01	0.00
Arisaig Latin America Consumer Fund	$ 23.93	-	-0.14	0.00

Artisan Partners Global Funds PLC (IRL)
Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Tel: 44 (0) 207 766 7130
FCA Recognised
Artisan Partners Global Funds plc

Fund	Bid	Offer	D+/-	Yield
Artisan Global Equity Fund Class I USD Acc	$ 14.81	-	0.04	0.00
Artisan Global Opportunities I USD Acc	$ 13.04	-	0.05	0.00
Artisan Global Value Fund Class I USD Acc	$ 16.30	-	0.04	0.00
Artisan US Value Equity Fund Class I USD Acc	$ 12.12	-	0.07	0.00
Artisan Global Opportunities Class I EUR Acc	€ 17.84	-	0.08	0.00

Ashmore Sicav (LUX)
2 rue Albert Borschette L-1246 Luxembourg
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Ashmore SICAV Emerging Market Debt Fund	$ 100.53	-	0.02	8.38
Ashmore SICAV Emerging Market Frontier Equity Fund	$ 148.79	-	-1.09	1.14
Ashmore SICAV Emerging Market Total Return Fund	$ 86.33	-	-0.15	6.23
Ashmore SICAV Global Small Cap Equity Fund	$ 131.41	-	-0.59	0.00
EM Mkts Corp.Debt USD F	$ 90.28	-	0.41	8.85
EM Mkts Loc.Ccy Bd USD F	$ 82.29	-	-0.31	3.40

aspect capital

Aspect Capital Ltd (UK)
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Aspect Diversified USD	$ 422.07	-	17.41	0.00
Aspect Diversified EUR	€ 252.51	-	10.35	0.00
Aspect Diversified GBP	£ 130.89	-	6.07	0.00
Aspect Diversified CHF	SFr 120.07	-	4.87	0.00
Aspect Diversified Trends USD	$ 124.12	-	0.10	0.00
Aspect Diversified Trends EUR	€ 123.73	-	0.09	0.00
Aspect Diversified Trends GBP	£ 129.66	-	0.12	0.00

Atlantas Sicav (LUX)
Regulated

Fund	Bid	Offer	D+/-	Yield
American Dynamic	$ 3611.31	-	18.93	0.00
American One	$ 3440.66	-	5.39	0.00
Bond Global	€ 1445.04	-	8.18	0.00
Eurocroissance	€ 894.37	-	5.39	0.00
Far East	$ 706.50	-	4.27	0.00

BLME Asset Management (LUX)
BLME Sharia'a Umbrella Fund SICAV SIF
Regulated

Fund	Bid	Offer	D+/-	Yield
Income Fund - Share Class A Acc	$ 1136.50	-	-0.11	0.00
Gl Sukuk Fund - Share Class A Acc	$ 1260.93	-	-0.05	0.00
Gl Sukuk Fund - Share class B Acc	£ 1129.32	1129.32	-0.59	0.00

Bank of America Cap Mgmt (Ireland) Ltd (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Global Liquidity USD	$ 1.00	-	0.00	0.61

Barclays Investment Funds (CI) Ltd (JER)
39/41 Broad Street, St Helier, Jersey, JE2 3RR Channel Islands 01534 812800
FCA Recognised
Bond Funds

Fund	Bid	Offer	D+/-	Yield
Sterling Bond F	£ 0.49	-	0.00	3.07

Barings (Luxembourg) (LUX)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Russia A GBP Inc F	£ 34.50	-	-0.22	0.00

BlackRock (JER)
Regulated

Fund	Bid	Offer	D+/-	Yield
BlackRock UK Property	£ 42.08	-	0.28	3.35
Blackrock UK Long Lease	£ 1078.93	-	0.03	0.00
BLK Intl Gold & General	$ 7.38	7.77	0.15	0.00

BLI - Banque de Luxembourg Investments S.A.
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
BL-Equities Europe B	€ 6131.77	-	17.83	0.00
BL-Equities America B	$ 5874.69	-	4.42	0.00
BL-Equities Japan B	¥ 15127.00	-	197.00	0.00
BL-Emerging Markets B	€ 166.79	-	0.17	0.00
BL-Global Equities B	€ 774.09	-	1.00	0.00
BL-Global 30 B	€ 1438.10	-	0.15	0.00
BL-Global 50 B	€ 1728.95	-	1.10	0.00
BL-Global 75 B	€ 2348.45	-	2.49	0.00
BL-Global Flexible EUR B	€ 154.90	-	-0.05	0.00

BONHOTE
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Bonhôte Alternative - Multi-Arbitrage (USD) Classe (EUR)	€ 6403.00	-	-54.00	1.97
Bonhôte Alternative - Multi-Performance (USD) Classe (EUR)	€ 9545.00	-	-1.00	0.84

Braemar Group PCC Limited (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
UK Agricultural Class A	£ 1.24	-	0.01	0.00
UK Agricultural Class B	£ 1.37	-	0.01	0.00
Student Accom Class B	£ 0.55	-	-0.17	0.00

CG Asset Management Limited (IRL)
Northern Trust, George's Court, 54-62 Townsend Street, Dublin 2, Rep of Ireland
00 353 1 434 5098
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Capital Gearing Portfolio Fund Plc	£ 29011.13	29011.13	249.95	0.59

CG Portfolio Fund Plc

Fund	Bid	Offer	D+/-	Yield
Real Return Cls A	£ 199.47	199.47	1.36	1.50
Dollar Fund Cls D	£ 155.08	155.08	0.15	1.40
Capital Value Fund Cls V	£ 141.00	141.00	1.28	0.25

Cedar Rock Capital Limited (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Cedar Rock Capital Fd Plc	$ 392.03	-	4.26	0.00
Cedar Rock Capital Fd Plc	£ 461.95	-	6.52	0.00
Cedar Rock Capital Fd Plc	€ 367.53	-	4.16	0.00

Charles Schwab Worldwide Funds Plc (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Schwab USD Liquid Assets Fd	$ 1.00	-	0.00	0.01

Chartered Asset Management Pte Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
CAM-GTF Limited	$ 296348.52	296348.52	-2119.46	0.00
CAM GTi Limited	$ 752.80	-	79.40	0.00
Raffles-Asia Investment Company	$ 1.60	1.60	0.06	5.38

Cheyne Capital

Cheyne Capital Management (UK) LLP (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Cheyne Convertibles Absolute Return Fund	€ 1344.80	-	-0.78	0.00
Cheyne Global Credit Fund	€ 121.65	-	-0.03	0.00
Cheyne European Mid Cap Fund	€ 1075.40	-	7.17	0.00

Cheyne Capital Management (UK) LLP
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Cheyne European Event Driven Fund	€ 126.80	-	-4.23	0.00
Cheyne Real Estate Credit Holdings Fund	£ 168.02	-	0.48	0.00
Cheyne Real Estate Credit Holdings Fund III	£ 110.98	-	0.60	0.00
Cheyne Real Estate Debt Fund Class A1	£ 130.05	-	-2.14	0.00
Cheyne Total Return Credit Fund - December 2017 Class	$ 192.37	-	5.63	0.00
Cheyne Total Return Credit Fund 2020	$ 104.25	-	-1.96	-

Cohen & Steers SICAV (LUX)
Regulated

Fund	Bid	Offer	D+/-	Yield
European Real Estate Securities	€ 23.0049	-	0.0616	1.85
Europ.RealEstate Sec. IX	€ 31.3490	-	0.0839	0.00
Gbl Listed Infrastructure I	$ 11.0043	-	0.0456	-
Gbl Listed Infrastructure IX	$ 11.1330	-	0.0461	-
Gbl RealEstate Sec. I	$ 11.6914	-	0.0278	1.57
Gbl RealEstate Sec. IX	$ 14.1034	-	0.0335	0.00

Crèdit Andorrà Asset Management

Crèdit Andorrà Asset Management (LUX)
www.creditandorra.com
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Crediinvest SICAV Money Market Eur I	€ 11.21	-	0.00	0.00
Crediinvest SICAV Money Market Usd A	$ 10.07	-	0.00	0.00
Crediinvest SICAV Fixed Income Eur	€ 10.89	-	0.00	0.00
Crediinvest SICAV Fixed Income Usd	$ 10.74	-	0.00	0.00
Crediinvest SICAV Spanish Value	€ 247.48	-	1.26	0.00
Crediinvest SICAV International Value	€ 237.25	-	0.63	0.00
Crediinvest SICAV Big Cap Value	€ 15.27	-	0.06	0.00
Crediinvest SICAV US American Value	$ 18.88	-	0.02	0.00
Crediinvest SICAV Sustainability	€ 15.52	-	0.01	0.00

DAVIS Funds SICAV (LUX)
Regulated

Fund	Bid	Offer	D+/-	Yield
Davis Value A	$ 40.92	-	0.33	0.00
Davis Global A	$ 29.16	-	0.28	0.00

DODGE & COX WORLDWIDE FUNDS

Dodge & Cox Worldwide Funds (IRL)
6 Duke Street,St.James,London SW1Y 6BN
www.dodgeandcox.worldwide.com 020 3713 7664
FCA Recognised
Dodge & Cox Worldwide Funds plc - Global Bond Fund

Fund	Bid	Offer	D+/-	Yield
EUR Accumulating Class	€ 12.43	-	-0.01	0.00
EUR Accumulating Class (H)	€ 9.70	-	-0.01	0.00
EUR Distributing Class	€ 11.54	-	-0.02	4.07
EUR Distributing Class (H)	€ 9.00	-	-0.01	4.11
GBP Distributing Class	£ 11.76	-	-0.01	3.73
GBP Distributing Class (H)	£ 9.12	-	-0.02	4.17
USD Accumulating Class	$ 9.85	-	-0.01	0.00

Dodge & Cox Worldwide Funds plc-Global Stock Fund

Fund	Bid	Offer	D+/-	Yield
USD Accumulating Share Class	$ 16.28	-	0.04	0.00
GBP Accumulating Share Class	£ 20.39	-	0.05	0.00
GBP Distributing Share class	£ 14.76	-	0.03	0.88
EUR Accumulating Share Class	€ 22.24	-	0.05	0.00

Dodge & Cox Worldwide Funds plc-International Stock Fund

Fund	Bid	Offer	D+/-	Yield
USD Accumulating Share Class	$ 13.30	-	0.02	0.00
EUR Accumulating Share Class	€ 14.25	-	0.02	0.00

Dodge & Cox Worldwide Funds plc-U.S. Stock Fund

Fund	Bid	Offer	D+/-	Yield
USD Accumulating Share Class	$ 18.94	-	0.07	0.00
GBP Accumulating Share Class	£ 22.44	-	0.09	0.00
GBP Distributing Share Class	£ 14.21	-	0.06	0.67
EUR Accumulating Share Class	€ 22.36	-	0.09	0.00

DRAGON CAPITAL

Dragon Capital Group
1501 Me Linh Point, 2 Ngo Duc Ke, District 1, Ho Chi Minh City, Vietnam
Fund information, dealing and administration: funds@dragoncapital.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Vietnam Property Fund (VPF) NAV	$ 0.91	-	0.00	0.00
Vietnam Enterprise Inv. (VEIL) NAV	$ 4.16	-	-0.04	0.00

DSM Capital Partners Funds (LUX)
www.dsmsicav.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Global Growth I2 Acc	€ 139.02	-	0.05	0.00
Global Growth I1 Eur	€ 103.88	-	0.04	0.00
DSM US Large Cap Growth	$ 101.83	-	0.27	-

Edinburgh Partners Limited (IRL)
27-31 Melville Street, Edinburgh EH3 7JF
Tel: +353 1 434 5143 Dealing - Fax +353 1 434 5230
FCA Recognised
Edinburgh Partners Opportunities Fund PLC

Fund	Bid	Offer	D+/-	Yield
Emerging Opportunities I USD $	$ 1.16	-	0.01	0.95
European Opportunities I EUR	€ 2.25	-	0.00	1.69
European Opportunities I GBP	£ 1.87	-	-0.01	1.67
European Opportunities I USD	$ 2.47	-	-0.01	1.82
European Opportunities A EUR	€ 2.20	-	0.00	1.09
Global Opportunities I USD	$ 1.57	-	0.00	1.29
Global Opportunities I GBP	£ 1.20	-	0.01	1.37
Global Opportunities A GBP	£ 1.12	-	0.00	0.82
Pan European Opportunities I EUR	€ 1.35	-	0.00	-

EFG HERMES

EFG Hermes
DIFC, The Gate Building, West Wing Level 6, PO BOX 30727, Dubai UAE
Contact: Telephone + 971 4 363 4029 Email AMsales@EFG-HERMES.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
The EFG-Hermes Egypt Fund	$ 29.93	-	-	0.00
EFG-Hermes Frontier Equity UCITS Fund Class I	$ 1015.50	-	12.32	-
EFG-Hermes MENA Equity UCITS Fund Class A	$ 984.21	-	8.93	-
Middle East & Developing Africa Fund (Final)	$ 19.81	-	-	0.00
Saudi Arabia Equity Fund	SR 12.03	-	-0.03	0.00

Ennismore Smaller Cos Plc (IRL)
5 Kensington Church St, London W8 4LD 020 7368 4220
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Ennismore European Smlr Cos NAV	£ 110.62	-	-0.24	0.00
Ennismore European Smlr Cos NAV	€ 132.30	-	0.17	0.00

Ennismore European Smlr Cos Hedge Fd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
NAV	€ 480.83	-	4.19	0.00

EnTrustPermal

EnTrustPermal Ltd.
www.entrustpermal.com
Other International Funds
Offshore Fund Class A US $ Shares

Fund	Bid	Offer	D+/-	Yield
Investment Holdings N.V.	$ 4890.95	-	-164.01	0.00
Macro Holdings Ltd	$ 4156.68	-	62.08	0.00
Fixed Income Holdings N.V.	$ 329.87	-	-9.39	-
EnTrustPermal Absolute Return Fund	$ 153.10	-	-0.04	0.00

Equinox Fund Mgmt (Guernsey) Limited (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Equinox Russian Opportunities Fund Limited	$ 116.66	-	5.99	0.00

Euronova Asset Management UK LLP (CYM)
Regulated

Fund	Bid	Offer	D+/-	Yield
Smaller Cos Cls One Shares	€ 35.11	-	0.61	0.00
Smaller Cos Cls Two Shares	€ 24.49	-	0.38	0.00
Smaller Cos Cls Three Shares	€ 12.25	-	0.23	0.00
Smaller Cos Cls Four Shares	€ 15.85	-	0.29	0.00

Eurobank FMC-LUX

Eurobank Fund Management Company (Luxembourg) S.A.
Regulated

Fund	Bid	Offer	D+/-	Yield
(LF) Absolute Return	€ 1.32	-	0.00	0.00
(LF) Eq Emerging Europe	€ 0.75	-	-0.01	0.00
(LF) Eq Flexi Style Greece	€ 0.94	-	-0.05	0.00
(LF) Eq Mena Fund	€ 12.98	-	-0.04	0.00
(LF) Greek Government Bond	€ 19.33	-	-0.01	-
(LF) Greek Corporate Bond	€ 12.53	-	-0.01	-
(LF) FOF Dynamic Fixed Inc	€ 12.29	-	-0.02	0.00
(LF) FOF Real Estate	€ 18.18	-	-0.03	0.00

FIL Investment Services (UK) Limited (1200)F (UK)
130, Tonbridge Rd, Tonbridge TN11 9DZ
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181
OEIC Funds

Fund	Bid	Offer	D+/-	Yield
Target 2020 A-ACC-GBP	£ 0.61	-	0.00	0.50
Target 2025 A-ACC-GBP	£ 1.45	-	0.01	0.31
Target 2030 A-ACC-GBP	£ 1.57	-	0.00	0.39

Institutional OEIC Funds

Fund	Bid	Offer	D+/-	Yield
Europe (ex-UK) Fund ACC-GBP	£ 4.39	-	0.03	1.55
Reduced Duration UK Corp Bond Gross	£ 10.95	-	0.00	3.39
Reduced Duration UK Corp Bond Inc	£ 9.86	-	-0.01	3.42
Reduced Dur UK Corp Bond Gross Inc	£ 9.87	-	0.00	3.42
UK Gilt Fund Inc	£ 1.40	-	0.01	1.86
UK Long Corporate Bond - Gross Inc	£ 12.20	-	-0.01	4.01

Findlay Park Funds Plc (IRL)
30 Herbert Street, Dublin 2, Ireland Tel: 020 7968 4900
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
American Fund USD Class	$ 87.04	-	0.55	0.00
American Fund GBP Hedged	£ 47.25	-	0.30	0.00
American Fund GBP Unhedged	£ 66.34	-	0.21	0.00
Latin American Fund USD Class	$ 14.33	-	-0.03	0.00
Latin American Fund GBP Unhedged	£ 11.08	-	-0.05	0.00

The First Investor QSCC
5th Floor, Barwa Bank Building, Grand Hamad Street
, P.O. Box 16034, Doha, State of Qatar
+ 974 4459 6111
http://www.tfi.com.qa/
Other International Funds

Fund	Bid	Offer	D+/-	Yield
TFI GCC Equity Opportunities Fund (Q)	QAR 1245.70	-	11.19	0.00

Foord Asset Management
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Foord International Trust	$ 35.33	-	-0.04	0.00
Foord Global Equity Fund_Class B	$ 12.60	-	-0.02	0.00

Franklin Templeton International Services Sarl (IRL)
JPMorgan House - International Financial Services Centre,Dublin 1, Ireland
Other International Funds
Franklin Emerging Market Debt Opportunities Fund Plc

Fund	Bid	Offer	D+/-	Yield
Franklin Emg Mkts Debt Opp CHF	SFr 17.21	-	0.32	8.89
Franklin Emg Mkts Debt Opp EUR	€ 12.17	-	0.27	6.84
Franklin Emg Mkts Debt Opp GBP	£ 10.55	-	0.44	6.72
Franklin Emg Mkts Debt Opp SGD	S$ 22.44	-	0.41	5.36
Franklin Emg Mkts Debt Opp USD	$ 17.31	-	0.40	6.86

Frontier Capital (Bermuda) Limited
Other International

Fund	Bid	Offer	D+/-	Yield
Commercial Property-GBP Class	£ 71.42	-	-0.53	-
Global Real Estate-GBP C Class	£ 45.26	-	-0.50	-

GYS Investment Management Ltd (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Taurus Emerging Fund Ltd	$ 156.45	159.65	-38.62	0.00

Generali Worldwide
PO Box 613, Generali House, Hirzel Street, St Peter Port, Guernsey, GY1 4PA 01481 714108
International Insurances

Fund	Bid	Offer	D+/-	Yield
Global Multi-Strategy Managed	$ 4.80	5.17	0.02	0.00
UK Multi-Strategy Managed	£ 4.97	5.35	0.04	0.00
EU Multi-Strategy Managed	€ 2.93	3.16	0.03	0.00
Global Bond USD	$ 3.57	3.85	0.00	0.00

Genesis Asset Managers LLP
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Emerging Mkts NAV	£ 6.52	-	0.03	0.00

HPB Assurance Ltd
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490
International Insurances

Fund	Bid	Offer	D+/-	Yield
Holiday Property Bond Ser 1	£ 0.51	-	0.00	0.00
Holiday Property Bond Ser 2	£ 0.61	-	0.00	0.00

Haussmann
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Haussmann Cls A	$ 2559.70	-	33.77	0.00
Haussmann Cls C	€ 2221.82	-	28.49	0.00
Haussmann Cls D	SFr 1170.93	-	14.26	0.00

Heartwood Wealth Management Limited (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Heartwood Caut Multi Asset B Acc	139.55	-	0.30	0.00

HERMES INVESTMENT MANAGEMENT

Hermes Investment Funds Plc (IRL)
Hermes Investment Management Limited, 1 Portsoken Street, London E1 8HZ +44 (0) 207 680 2121
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Hermes Abs Return Credit Fund Class F Acc £	£ 1.18	1.18	0.00	0.00
Hermes Abs Return Credit Fund Class R Acc €	€ 2.00	2.00	-0.01	0.00
Hermes Asia Ex-Japan Equity Fund Class F Acc	£ 1.91	1.91	0.01	0.00
Hermes Asia Ex-Japan Equity Fund Class R Acc	€ 3.59	3.59	0.02	0.00
Hermes Global Emerging Markets Fund Class F Acc	£ 1.43	1.43	0.01	0.00
Hermes Global Emerging Markets Fund Class R Acc	€ 3.14	3.14	0.02	0.00
Hermes Global Equity Fund Class F Acc	£ 1.79	1.79	0.01	0.00
Hermes Global Equity Fund Class R Acc	€ 4.08	4.08	0.02	0.00
Hermes Global ESG Equity Fund Class F Acc	£ 1.36	1.36	0.01	0.00
Hermes Global High Yield Bond Fund Class F Acc	£ 1.29	1.29	0.00	0.00
Hermes Global High Yield Bond Fund Class R Acc	€ 2.92	2.92	0.00	0.00
Hermes Global Small Cap Fund Class F Acc £	£ 1.19	1.19	0.02	0.00
Hermes Global Small Cap Fund Class R Acc €	€ 2.02	2.02	0.02	0.00
Hermes Multi Asset Inflation Fund Class F GBP Acc	£ 1.01	1.01	0.00	0.00
Hermes Multi Strategy Credit Fund Class F Acc Hed	£ 1.08	1.08	0.00	0.00
Hermes Sourcecap EU Alpha Fund Class F Acc	£ 1.46	1.46	0.01	0.00
Hermes Sourcecap EU Alpha Fund Class F Dis	£ 1.40	1.40	0.01	0.06
Hermes Sourcecap EU Alpha Fund Class R Acc	€ 3.07	3.07	0.02	0.00
Hermes Sourcecap EX UK Fund Class F Acc	£ 1.57	1.57	0.02	0.00
Hermes Sourcecap EX UK Fund Class R Acc	€ 3.21	3.21	0.04	0.00
Hermes US All Cap Equity Class F Stg £ Acc	£ 1.22	1.22	0.01	0.00
Hermes US All Cap Equity Class R € Acc	€ 2.08	2.08	0.03	0.00
Hermes US SMID Equity Fund Class F Acc	£ 2.06	2.06	0.01	0.00
Hermes US SMID Equity Fund Class R Acc	€ 3.82	3.82	0.02	0.00

INDIA VALUE INVESTMENTS LIMITED (INVIL)
www.invil.mu
Other International Funds

Fund	Bid	Offer	D+/-	Yield
NAV	£ 8.97	-	0.04	0.00

Intrinsic Value Investors (IVI) LLP (IRL)
1 Hat & Mitre Court, 88 St John Street, London EC1M 4EL +44 (0)20 7566 1210
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
IVI European Fund EUR	€ 18.39	-	0.02	0.00
IVI European Fund GBP	£ 20.75	-	0.06	0.59

Invesco

Invesco (LUX)
Dublin 00 353 1 439 8100 Hong Kong 00852 3191 8282
FCA Recognised
Invesco Management SA

Fund	Bid	Offer	D+/-	Yield
Invesco Active Multi-Sector Credit Fund A	€ 3.02	-	0.00	-
Invesco Asia Balanced A dist	$ 14.50	-	-0.02	3.68
Invesco Asia Consumer Demand Fund A income	$ 13.00	-	0.05	0.24
Invesco Asia Infrastructure (A)	$ 13.11	-	0.04	0.77
Invesco Asia Opportunities Equity A	$ 109.61	-	0.20	0.00
Invesco Balanced Risk Allocation Fund A	€ 16.01	-	0.04	0.00
Invesco Emerging Europe Equity Fund A	$ 8.35	-	0.05	0.00
Invesco Emerging Local Currencies Debt A Inc	$ 7.07	-	0.00	6.11
Invesco Emerging Mkt Quant.Eq. A	$ 10.12	-	0.04	0.00
Invesco Energy A	$ 17.82	-	0.22	0.00
Invesco Euro Corporate Bond Fund (A)	€ 17.67	-	0.00	0.00
Invesco Euro Inflation Linked Bond A	€ 15.97	-	0.04	0.00
Invesco Euro Reserve A	€ 322.21	-	0.00	0.00
Invesco Euro Bond A	€ 7.42	-	0.00	0.00
Invesco European Growth Equity A	€ 23.74	-	0.17	-
Invesco Global Absolute Return Fund A Class	€ 11.03	-	0.03	0.00
Invesco Global Bond A Inc	$ 5.55	-	0.00	0.60
Invesco Global Conservative Fund 90 (EUR) A	€ 11.73	-	-0.01	0.00
Invesco Global Equity Income Fund A	$ 57.58	-	0.24	0.00
Invesco Global Inc Real Estate Sec A dist	$ 9.78	-	-0.04	2.24
Invesco Global Inv Grd Corp Bond A Dist	$ 12.33	-	0.00	3.07
Invesco Global Leisure A	$ 39.05	-	-0.04	0.00
Invesco Global Smaller Comp Eq Fd A	$ 58.21	-	0.40	0.00
Invesco Global Structured Equity A	$ 46.50	-	-0.05	-
Invesco Global Total Ret.(EUR) Bond Fund A	€ 13.43	-	0.00	0.00
Invesco Gold & Precious Metals A	$ 6.56	-	0.13	0.00
Invesco Greater China Equity A	$ 48.09	-	0.22	0.00
Invesco India Equity A	$ 56.07	-	0.40	0.00
Invesco Japanese Equity Adv Fd A	¥ 3509.00	-	46.00	0.00
Invesco Japanese Value Eq Fd A	¥ 1149.00	-	17.00	0.00
Invesco Latin American Equity A	$ 6.70	-	-0.01	0.00
Invesco Nippon Small/Mid Cap Equity A	¥ 1160.00	-	8.00	0.00
Invesco Pan European Equity A EUR Cap NAV	€ 16.90	-	0.23	0.00
Invesco Pan European High Income Fd A	€ 13.87	-	0.02	2.81
Invesco Pan European Small Cap Equity A	€ 20.40	-	0.13	0.00
Invesco Pan European Structured Equity A	€ 16.84	-	0.06	0.00
Invesco UK Eqty Income A	£ 32.06	-	-0.10	0.00
Invesco UK Investment Grade Bond A	£ 1.07	-	0.00	2.47
Invesco US Structured Equity A	$ 23.09	-	-0.01	-
Invesco US Value Eq Fd A	$ 31.73	-	0.16	0.00
Invesco USD Reserve A	$ 87.09	-	0.00	0.00

Invesco Global Asset Management Ltd (IRL)
Dublin 00 353 1 439 8100 Hong Kong 00 852 2842 7200
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Invesco Stlg Bd A QD F	£ 2.68	-	0.00	3.59
Invesco Asian Equity A	$ 6.74	-	0.06	0.00
Invesco ASEAN Equity A	$ 98.76	-	0.92	0.26
Invesco Bond A	$ 28.16	-	-0.07	1.97
Invesco Continental Eurp Small Cap Eqty A	$ 196.75	-	1.40	0.00
Invesco Emerging Markets Equity A	$ 37.61	-	0.21	0.00
Invesco Emerging Markets Bond A	$ 21.83	-	-0.07	4.81
Invesco Continental European Equity A	€ 7.87	-	0.09	1.27
Invesco Gilt A	£ 16.60	-	0.00	1.18
Invesco Global Small Cap Equity A NAV	$ 121.30	-	0.50	0.00
Invesco Global High Income A NAV	$ 12.26	-	-0.02	6.44
Invesco Gbl R/Est Secs A GBP F F	£ 9.83	-	-0.03	0.84
Invesco Global Health Care A	$ 121.47	-	-0.26	0.00
Invesco Global Select Equity A	$ 12.45	-	0.10	0.08
Invesco Jap Eqty Core A	$ 1.81	-	-0.01	0.09
Invesco Japanese Equity A	$ 19.33	-	0.07	0.00
Invesco Korean Equity A	$ 30.19	-	-0.40	0.00
Invesco PRC Equity A	$ 52.71	-	0.20	0.00
Invesco Pacific Equity A	$ 49.13	-	0.14	0.07
Invesco Global Technology A	$ 15.64	-	0.05	0.00
Invesco UK Eqty A	£ 7.84	-	0.08	1.60

Invest AD
Client services: +971 2 692 6101 clientservices@InvestAD.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Invest AD - Emerging Africa Fund	$ 869.90	-	0.14	0.00
Invest AD - GCC Focus Fund	$ 1407.25	-	-3.50	0.00

Julius Bär Funds

GAM
funds@gam.com, www.jbfundnet.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Ms EF Special Val. EUR/A	€ 145.39	-	-0.01	1.11
Strategy Balanced-CHF/B	SFr 153.04	-	0.34	0.00
Strategy Balanced-EUR	€ 158.18	-	0.08	0.00
Strategy Balanced-USD/B	$ 133.11	-	0.08	0.00
Strategy Growth-CHF/B	SFr 94.27	-	0.28	0.00
Strategy Growth-EUR	€ 118.22	-	0.06	0.00
Strategy Inc-CHF/B	SFr 121.38	-	0.17	0.00
Strategy Inc-EUR/B	€ 162.84	-	0.05	0.00
Strategy Inc-USD/B	$ 150.57	-	0.06	0.00

KAMES CAPITAL

Kames Capital VCIC (IRL)
1 North Wall Quay, Dublin 1, Ireland +35 3162 24493
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Absolute Return Bond B GBP Acc	1088.18	-	-3.26	1.64
Eq Market Neutral B Acc	991.20	-	-0.18	-
Eq Market Neutral Plus B Acc	962.03	-	-0.40	-
High Yield Global Bond A GBP Inc	533.34	-	-0.92	4.05
High Yield Global Bond B GBP Inc	1111.56	-	-1.90	4.59
Investment Grade Global Bd A GBP Inc	586.05	-	-0.84	2.37
Kames Global Equity Income B GBP Acc	1374.90	-	3.88	-
Kames Global Equity Income B GBP Inc	1289.01	-	3.63	-
Strategic Global Bond A GBP Inc	1118.98	-	-0.06	0.60
Strategic Global Bond B GBP Inc	635.38	-	-0.03	1.07

Lloyds Investment Fund Managers Limited (1000)F (JER)
PO Box 311, 11-12 Esplanade, St Helier, Jersey, JE4 8ZU 01534 845555
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Lloydstrust Gilt	£ 13.1800xd	-	-0.0400	2.05

Lloyds Investment Funds Limited

Fund	Bid	Offer	D+/-	Yield
Euro High Income	€ 1.6790xd	-	-0.0010	2.66
European	£ 8.5200	-	0.0730	1.07
High Income	£ 0.9083	-	-0.0009	4.68
International	£ 4.8160	-	0.0220	0.60
North American	£ 18.8900	-	0.0900	0.00
Sterling Bond	£ 1.5640xd	-	-0.0020	3.27
UK	£ 7.1890	-	0.0220	1.30

Lloyds Gilt Fund Limited

Fund	Bid	Offer	D+/-	Yield
Lloyds Gilt Fund Quarterly Share	£ 1.3740xd	-	-0.0050	1.54
Monthly Share	£ 1.3240	-	-0.0040	1.54

Lloyds Money Fund Limited

Fund	Bid	Offer	D+/-	Yield
Sterling Class	£ 52.6520	-	0.0000	0.15

Lloyds Multi Strategy Fund Limited

Fund	Bid	Offer	D+/-	Yield
Conservative Strategy	£ 1.1710	-	0.0000	1.67
Growth Strategy	£ 1.6070	-	0.0010	1.22
Aggressive Strategy	£ 2.0260	-	0.0040	0.00
Global USD Growth Strategy	$ 1.4090	-	0.0030	0.00

Dealing Daily

M & G Securities (1200)F (UK)
PO Box 9039, Chelmsford, CM99 2XG
www.mandg.co.uk Enq: 0800 390 390, Dealing: 0800 328 3196
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
M&G Episode Growth A Inc	51.26	-	0.36	2.02
M&G Global High Yield Bond A Inc	50.25	-	-0.05	4.07
M&G Global High Yield Bond A Acc	121.46	-	-0.13	4.07
M&G Managed Growth A Inc	88.49	-	0.63	0.35

M & G (Guernsey) Ltd (GSY)
Regulated
The M&G Offshore Fund Range

Fund	Bid	Offer	D+/-	Yield
Corporate Bond A	1398.17	1441.42	0.00	4.01
Global Basics X	2823.52	2910.85	20.93	0.19
Global Dividend A	134.84	140.46	0.83	2.85
Global Leaders A	3870.52	4031.80	32.59	0.95
Global High Yield Bond X	988.15	1018.71	-0.98	4.06
Global Macro Bond A	13128.41	13534.45	17.93	1.03
North American Dividend A	190.95	198.90	1.47	2.07
Optimal Income A	144.31	148.78	0.04	2.14
Recovery A	10196.25	10621.09	88.11	0.80
Strategic Corproate Bond A	138.95	144.74	0.00	2.51
UK Inf Lkd Corp Bd A Inc	107.83	111.17	0.08	0.92
UK Select A	1464.22	1525.23	13.59	1.15

MFS Investment Funds (LUX)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Blend.Research Gb.Eq.Fd.	€ 104.82	-	-0.06	0.00
Blend.Research Gb.Eq.Fd.	£ 117.94	-	0.13	0.00
Blend.Research Gb.Eq.Fd.	$ 101.65	-	0.05	0.00
Blend.Research U.S.Core Eq.Fd.	€ 108.94	-	-0.14	-
Blend.Research U.S.Core Eq.Fd.	£ 116.81	-	0.05	-
Blend.Research U.S.Core Eq.Fd.	¥ 9339.00	-	-132.00	0.00
Blend.Research U.S.Core Eq.Fd.	$ 105.74	-	-0.04	-
Em.Mk.Eq.Fund Euro	€ 117.65	-	-0.07	0.00
Em.Mk.Eq.Fund Sterling	£ 115.86	-	0.13	0.00
Em.Mk.Eq.Fd.US Dollar	$ 98.70	-	0.04	0.00
Gb.Conc.Eq.Fd.Euro	€ 295.00	-	0.73	0.00
Gb.Conc.Eq.Fd.Sterl.UK T	£ 206.72	-	0.85	0.00
Gb.Conc.Eq.Fd.Sterling	£ 312.82	-	1.29	0.00
Gb.Conc.Eq.Fd.US	$ 205.16	-	0.70	0.00
Gb.Eq.Hdg Fd.Euro IRE T	€ 192.23	-	0.78	0.00
Gb.Eq.Euro Hdg Fd.	€ 272.35	-	1.10	0.00
Gb.Eq.Fund Euro	€ 296.37	-	0.95	0.00
Gb.Eq. Fd Euro IRE T	€ 187.54	-	0.60	0.00
Gb.Eq.Fd.Sterling UK T	£ 251.16	-	1.22	0.00
Gb.Eq.Fd.US Dollar	$ 325.39	-	1.35	0.00
Gb.Eq.Fund Sterling	£ 248.25	-	1.20	0.00
Gb.Val.Ex-Jap.Fd.USD	$ 126.58	-	0.51	0.00
Gb.Val.Ex-Japan Fd.Yen	¥ 13025.00	-	-126.00	0.00
Gb.Val.Fd. Euro	€ 142.97	-	0.39	0.00
Gb.Val.Fd.Sterling	£ 145.54	-	0.64	0.00
Gb.Val.Fd.USD	$ 112.98	-	0.42	0.00
Low Volatility Gb.Eq.Fd.Euro	€ 114.16	-	-0.15	0.00
Low Volatility Gb.Eq.Fd.Sterl	£ 128.51	-	0.05	0.00
Low Volatility Gb.Eq.Fd.USD	$ 110.78	-	-0.03	0.00
Low Volatility Gb.Eq.Fd.Yen	¥ 9041.00	-	-127.00	-

MMIP Investment Management Limited (GSY)
Regulated
Multi-Manager Investment Programmes PCC Limited

Fund	Bid	Offer	D+/-	Yield
UK Equity Fd Cl A Series 01	£ 2263.07	2289.04	-80.26	0.00
Diversified Absolute Rtn Fd USD Cl AF2	$ 1495.98	-	-47.16	0.00
Diversified Absolute Return Stlg Cell AF2	£ 1509.55	-	-51.81	0.00
Global Equity Fund A Lead Series	£ 1127.80	1131.76	73.01	-

Marlborough International Management Limited (GSY)
Tudor House, Le Bordage, St Peter Port, Guernsey, CI, GY1 1DB +44 1481 71520
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Marlborough North American Fund Ltd	£ 39.34	41.92	-0.07	0.00
Marlborough Tiger Fund Ltd F	£ 28.13	28.41	1.27	0.00

Marwyn Asset Management Limited (CYM)
Regulated

Fund	Bid	Offer	D+/-	Yield
Marwyn Value Investors	£ 409.28	-	-27.96	0.00

Meridian Fund Managers Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Global Gold & Resources Fund	$ 224.00	-	-10.18	-
Global Energy & Resources Fund	$ 31.95	-	0.00	-

Mirabaud Asset Management (LUX)
www.mirabaud.com, marketing@mirabaud.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Mir. - Conv. Bds Eur A EUR	€ 132.36	-	0.25	0.00
Mir. - Conv. Bds Glb A USD	$ 111.90	-	0.28	0.00
Mir. - Eq Asia ex Jap A	$ 179.18	-	1.27	0.00
Mir.- EqEurope ExUK Sm&Mid	£ 122.75	-	0.98	-
Mir. - Eq Glb Emrg Mkt A USD	$ 94.38	-	0.77	0.00
Mir. - Eq Global Focus A USD	$ 96.85	-	0.10	0.00
Mir. - EqPanEuropeSm&Mid	€ 114.76	-	0.87	0.00
Mir. - Eq Spain A	€ 24.54	-	0.10	0.00
Mir. - Eq Swiss Sm/Mid A	SFr 348.02	-	2.35	0.00
Mir. - Glb High Yield Bds A	$ 112.75	-	-0.13	-
Mir. - Glb Eq High Income A USD	$ 99.27	-	0.48	0.00
Mir. - Glb Strat. Bd A USD	$ 108.51	-	-0.01	0.00
Mir. - US Shrt Term Credit Fd	$ 102.38	-	0.01	-

MW Japan Fund Plc (IRL)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
MW Japan Fund PLC A	$ 24.54	-	0.14	0.00
MW Japan Fund PLC B	$ 24.66	-	0.14	0.00
MW Japan Fund PLC C	$ 82.36	-	1.28	0.00

Morant Wright Funds (Ireland) PLC (IRL)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Morant Wright Fuji Yield EUR Acc Hedged	€ 10.25	-	0.12	-
Morant Wright Fuji Yield EUR Dist Hedged	€ 9.23	-	0.11	2.99
Morant Wright Fuji Yield GBP Acc Hedged	£ 9.65	-	0.12	0.00
Morant Wright Fuji Yield GBP Dist Hedged	£ 8.87	-	0.11	7.54
Morant Wright Fuji Yield USD Acc Hedged	$ 9.48	-	0.12	0.00
Morant Wright Fuji Yield USD Dist Hedged	$ 9.37	-	0.11	2.94
Morant Wright Fuji Yield YEN Acc	¥ 989.14	-	12.35	0.00
Morant Wright Fuji Yield B YEN Acc	¥ 873.97	-	10.93	0.00
Morant Wright Fuji Yield YEN Dist	¥ 954.20	-	11.92	2.96
Morant Wright Sakura Fund Sterling Acc Hedged	£ 11.57	-	0.19	0.00
Morant Wright Sakura Fund Euro Acc Hedged	€ 11.63	-	0.19	0.00
Morant Wright Sakura Fund Yen Acc Unhedged	¥ 1207.65	-	19.78	0.00
Morant Wright Sakura Fund Dollar Acc Hedged	$ 11.61	-	0.19	0.00
Morant Wright Sakura Fund Swiss Franc Acc Hedged	SFr 11.49	-	0.19	0.00

Morgan Stanley

Morgan Stanley Investment Funds (LUX)
6b Route de Trèves L-2633 Senningerberg Luxembourg (352) 34 64 61
www.morganstanleyinvestmentfunds.com
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
US Advantage A F	$ 60.46	-	-0.01	0.00
Asian Equity A F	$ 43.20	-	0.25	0.00
Asian Property A F	$ 19.10	-	-0.06	0.00
Diversified Alpha Plus A F	€ 27.34	27.34	-0.03	0.00
Emerg Europ, Mid-East & Africa Eq A F	€ 69.83	-	0.27	0.00
Emerging Markets Debt A F	$ 83.18	-	-0.40	0.00
Emerging Markets Domestic Debt AX F	£ 12.47	12.47	0.04	4.14
Emerging Markets Equity A F	$ 35.90	35.90	0.18	0.00
Euro Bond A F	€ 16.51	16.51	0.06	0.00
Euro Corporate Bond AX F	£ 25.91	25.91	0.05	1.44
Euro Strategic Bond A F	€ 45.66	45.66	0.06	0.00
European Currencies High Yield Bd A F	€ 22.59	22.59	0.01	0.00
European Equity Alpha A F	€ 40.88	-	0.21	0.00
European Property A F	€ 34.20	34.20	0.09	0.00
Eurozone Equity Alpha A F	€ 11.00	11.00	0.11	0.00
Global Bond A F	$ 40.96	40.96	-0.02	0.00
Global Brands A F	$ 104.59	-	-0.90	0.00
Global Convertible Bond A F	$ 41.81	-	0.14	0.00
Global Property A F	$ 29.36	-	-0.16	0.00
Indian Equity A F	$ 37.64	-	0.33	0.00
Latin American Equity A F	$ 46.10	-	0.09	0.00
Short Maturity Euro Bond A F	€ 20.41	20.41	0.00	0.00
US Dollar Liquidity A F	$ 13.03	-	0.00	0.00
US Growth A F	$ 69.23	-	0.18	0.00
US Growth AH F	€ 47.67	47.67	0.12	0.00
US Growth AX F	£ 52.70	52.70	0.20	0.00
US Property A F	$ 77.22	-	-0.83	0.00

Morgens Waterfall Vintiadis.co Inc
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Phaeton Intl (BVI) Ltd (Est)	$ 370.41	-	-0.93	0.00

NATIXIS GLOBAL ASSET MANAGEMENT

Natixis International Funds (Lux) I SICAV (LUX)
Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA 0044 20 3216 9000
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Harris Global Equity R/A (USD)	$ 238.26	238.26	1.34	0.00
Harris US Equity Fund R/A (USD)	$ 214.89	214.89	1.67	0.00
Harris Concentrated US Equity R/A (USD)	$ 162.24	162.24	1.34	0.00
Loomis Sayles Strategic Alpha R/A (USD)	$ 112.69	112.69	-0.23	-

Natixis International Funds (Dublin) I plc (IRL)
Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA +44 (0)20 3216 9000
Regulated

Fund	Bid	Offer	D+/-	Yield
Loomis Sayles Global Opportunistic Bond R/D (USD)	$ 13.21	13.21	0.02	1.20
Loomis Sayles High Income R/D (USD)	$ 8.60	8.60	0.02	10.81
Loomis Sayles Multisector Income R/D (GBP)	$ 12.51	12.51	0.01	5.49

new capital

New Capital Fund Management Ltd (IRL)
Leconfield House, Curzon Street, London, W1J 5JB
FCA Recognised
New Capital UCITS Funds

Fund	Bid	Offer	D+/-	Yield
Asia Pac Bd USD Inst Inc	$ 95.38	-	0.04	3.24

INSIGHT

David Stubbs

Sovereign bonds can steady a ship but their anchor days are over

Several long-accepted truths about investing are being forcibly deconstructed by the new normal, but the collapse of conventional wisdom around how government bonds behave and the role they play is perhaps the most acute change.

Trusty "governments" are historically used to anchor portfolios. When waves threaten, they steady the ship by providing diversification and steady income. Their role as the bastion of safety went largely undebated for decades. But nothing lasts for ever.

The definition of a "safe" asset is undergoing a secular shift. The further bond prices rise, the greater the risk to bond values from even moderate increases in inflation and interest rates.

Also appearing less reliable is the traditional negative correlation between bonds and risk assets. And there are heightened concerns about the underlying liquidity of important parts of the fixed income market.

Questions about the suitability of government bonds for mitigating risk and stabilising portfolios in the new normal come in four flavours.

The first concern is inflation risk. Nearly a third of the bonds in the BofA Merrill Lynch Global Government bond index have negative yields, locking in a capital loss for investors who hold them to maturity. The situation is even more extreme when considering real returns, with yields on many government bonds below inflation in their country and far beneath inflation targets. Investors hold government bonds for the purposes of capital preservation and portfolio stability, and most government bonds in the developed-world bond universe are failing to fulfil those roles.

Flavour number two concerns duration risk. The prospect of losses if interest rates rise looks outsized. Expectations for rates and inflation over the long term are so depressed that any upward move in those expectations would cause a loss to a fixed coupon bond holder (that is, almost every government bond holder).

> The consensus that yields will keep falling threatens a more painful reversal

Third, if the increase in government bonds' own volatility were not enough, their correlation against equity markets — the relationship of greatest importance from a balanced investor perspective — has become less negative and more unreliable. That bonds rise when equities fall has been a tenet of portfolio construction for decades. If that inverse relationship is breaking down, the argument that government bonds are suitable to stabilise a portfolio that contains risk assets weakens.

Finally, there are concerns that liquidity issues threaten market dislocations. As in the 2013 taper tantrum and the Bunds shock in 2015, when poor liquidity interacts with overloaded investor positioning, the resulting sell-offs can be explosive.

Government bond yields have fallen more or less remorselessly in recent months, and the assumption that they will continue to move lower seems accepted among investors. But such a strong consensus threatens to make any reversal more rapid and painful.

In order to control the multiple risks — many of them from the government bonds once considered "risk free" — requires a more diversified approach, which can include: looking to the bonds of other developed governments; seeking stable performance from funds that balance owning securities and shorting others; holding a little more cash; and taking advantage of the innovation in liquid alternative products.

For example absolute return fixed income strategies are more available than ever. The Morningstar Non-US Long/Short debt category contains more than 1,100 funds, up from fewer than 300 five years ago. Over that time the median fund has delivered a positive return net of fees in 62 per cent of quarters. Perhaps even more important, the median fund eked out a slight gain in quarters when funds investing in European government bonds lost money.

The concept of safety is no longer one-dimensional — it has many faces, and the typical portfolio is going to need multiple anchors. Government bonds can continue to play a role, but they need help to keep a portfolio away from the rocks and protect the cargo in times of trouble, and indeed may well continue to generate positive returns in coming quarters.

David Stubbs is global market strategist at JPMorgan Asset Management

Equities

FTSE 250 set to wipe out Brexit losses

Index closes in on level before vote as UK growth numbers bring cheer

ELAINE MOORE AND RICHARD BLACKDEN

The FTSE 250, the index made up of companies heavily reliant on the state of the UK economy, is within touching distance of erasing its steep losses suffered in the wake of Britain's decision to leave the EU.

The index yesterday briefly surpassed its closing level on June 23, the day of the poll, and closed 1.2 per cent higher at 17265.91. That leaves it 0.4 per cent shy of its pre-Brexit level and more than 10 per cent above the low it reached in the days after the referendum.

Its rally gathered momentum after the publication of official data that showed the UK economy had expanded at a better than expected rate in the three months leading up to the poll. The FTSE 100, which is more internationally focused, finished up just 0.4 per cent at 6750.43.

Investors said the pace of the rebound in the FTSE 250 was impressive, if surprising.

"Markets have clearly become more relaxed about the implications of Brexit," said Louise Kernohan, investment manager at Aberdeen Asset Management. "But it's a mixed bag, and this is being driven by [the FTSE 250] companies with an international exposure rather than domestic-focused stocks."

The vote shocked global investors, triggering turmoil that sent the pound to a 31-year low against the dollar and drove demand for haven assets such as gold and government bonds.

Share prices in the FTSE 250, which includes housebuilder Bovis Homes, retailer Debenhams and the challenger bank Virgin Money, bore the brunt of investor anxiety about the possible repercussions of the vote on the UK economy.

Blue-chip UK groups, whose foreign-based revenues are buoyed by a weaker pound, have proved more resilient to Brexit, erasing losses accumulated since the referendum in less than a week.

While the FTSE 100 is about 8 per cent higher for the year in local currency terms, its performance in dollar terms is a 2016 loss of 4 per cent.

Nick Nelson, head of European equity strategy at UBS, said that companies with foreign-based revenues benefiting from the weaker pound were also contributing to the recovery in domestic-oriented mid-caps. While EasyJet, the budget airline, has cautioned that Brexit is likely to affect its income, UK-listed specialty chemicals maker Croda, whose products include lipstick ingredients and car paints, posted a 7.8 per cent rise in half-year sales this week.

1.2% Rise for the index yesterday, leaving it 0.4% shy of the pre-Brexit level

10% Increase in the index from the low point in the days after the vote

The bifurcation of performance in within the FTSE 250 put the recovery on shaky ground, said Paul Marriage, UK equities fund manager, at Schroders. "The immediate impact of Brexit on companies has yet to be seen. There haven't been many profit warnings or failed transactions, but the question is whether this will last or we are just in a limbo period until we have more data on the economy."

The FTSE 2050 briefly touched 17,362 yesterday, breaching the 17,333 level that markets closed at on June 23 before referendum votes were counted, before closing slightly lower.

Analysis. Commodities

Potash uncertainty lies ahead after China deal

Annual contract helps steady sector, but rising rivalries and supply uncertainty persist

EMIKO TERAZONO

It was as if the potash industry breathed a collective sigh of relief. BPC, the trading arm of Belaruskali, announced earlier this month its long-awaited annual potash contract with a consortium of Chinese buyers.

"Better late than never," was the verdict of analysts at Scotiabank.

After BPC's $219-a-tonne agreement — a 30 per cent fall from 2015 — Israel Chemicals (ICL) on Tuesday said it had signed a contract with its Chinese customers, and other potash producers in Russia and North America are understood to be negotiating contracts.

The annual agreement with China, the world's biggest potash user, provides a global benchmark. Until the accord, industry executives and analysts had blamed this year's sluggish shipments on the lack of a contract.

Potash, which regulates plants' water content and improves root strength, is mined from deposits in countries including Canada, Russia and Belarus. It is one of the key crop nutrients.

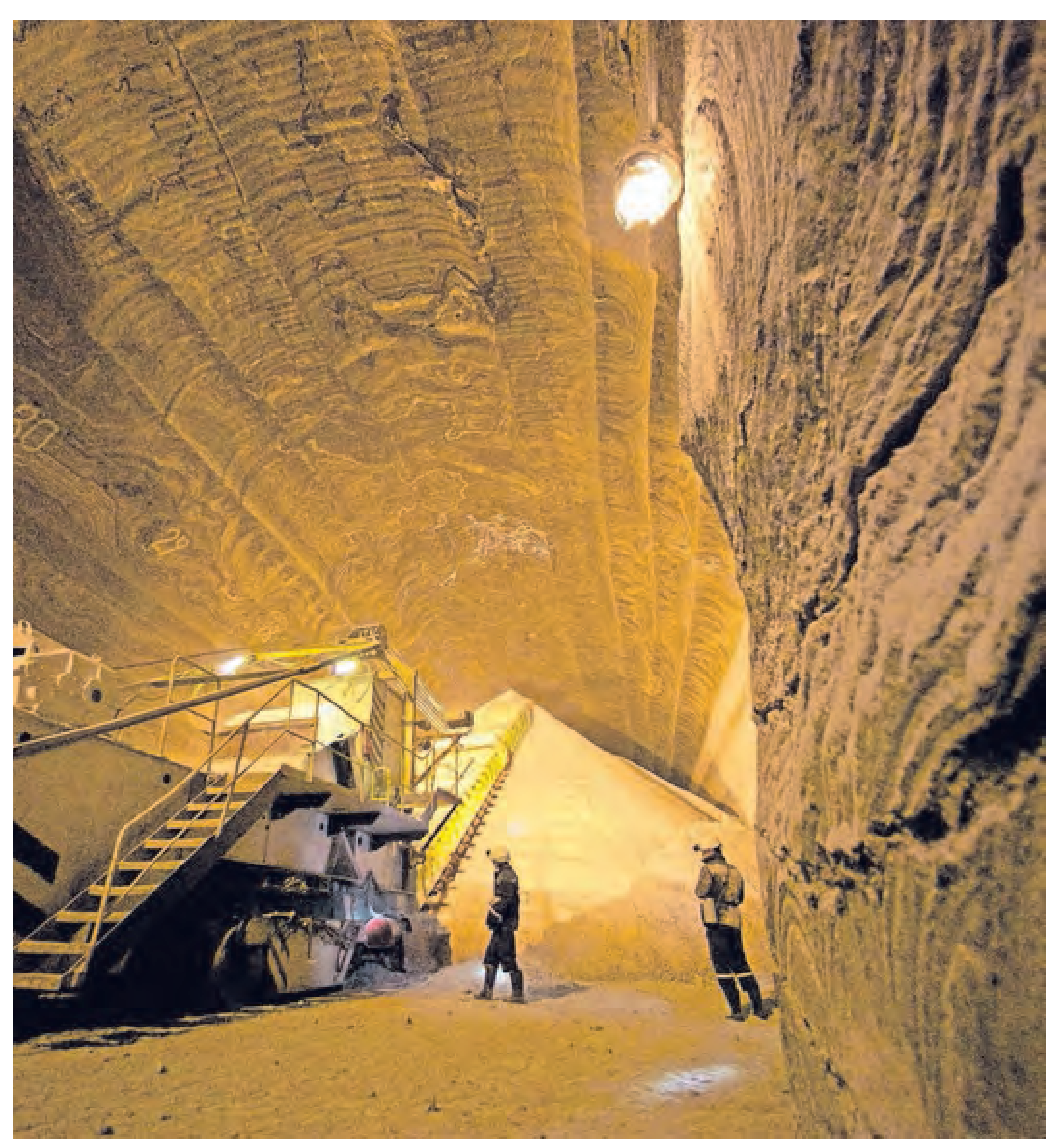
Companies such as Canada's PotashCorp, Russia's Uralkali as well as Belaruskali are among the world's leading suppliers. BHP Billiton, the world's largest miner by market value, is also developing a potash mine in Canada.

Thanks to the settlement, shares in the leading potash producers bounced. Since the start of the month PotashCorp, Mosaic and K+S are up 6 per cent, 9 per cent and 4 per cent, respectively.

But the outlook for the potash market remains uncertain. Here are five factors that will shape the outlook:

1. Increasing competition
In recent years the leading producers have all blamed rising competition for sluggish prices. In the past, the large suppliers have not pursued market share by offering lower prices. But a fight to sell increased volumes has broken out amid an oversupply of potash as well as tumbling crop prices.

Macquarie points to Chinese customs data that show Uralkali has gained share this year at the expense of ICL and Canpotex, the legal North American export cartel comprising of PotashCorp, Mosaic and Agrium. The bank expects the fight for market share to continue. "We see no alternative but for a growing market share battle between major potash producers," it says.



Russia's Uralkali could lift potash prices if it revives export operations with Belaruskali
Alexander Zemlianichenko Jr/Bloomberg

2. Shipments in 2016 and 2017
A late Chinese contract settlement historically has led to lower international shipments for the year, but the pent-up demand usually means higher shipments the following year.

"We expect the situation will be no different with a delayed contract impacting shipments in the first half of 2016, setting up the potential for a strong demand recovery in the coming year," says PotashCorp.

3. Bottoming demand
Industry executives and analysts have noted a recovery in key potash markets including Brazil and the US.

Much will depend on currency movements. Uralkali says demand in the Brazilian and Indian markets "is getting better," while analysts also expect US farmers to increase fertiliser applications.

Crop prices also have a big effect. Grain and oilseed prices have fallen back after a rally earlier this year, but the fertiliser price declines relative to crop prices provides farmers with an incentive to apply more crop nutrients, according to PotashCorp analysis. "We believe this increased affordability will support strong fertiliser demand and provide the opportunity for a fertiliser price recovery," the company argues.

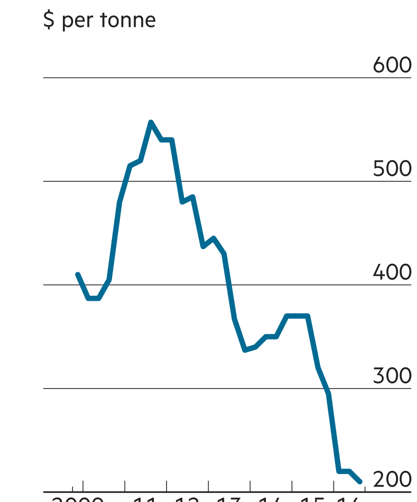
4. Mixed supply outlook
Questions about potash supply also remain. "Any price increase depends on further discipline by the producers," says Oliver Hatfield at Integer.

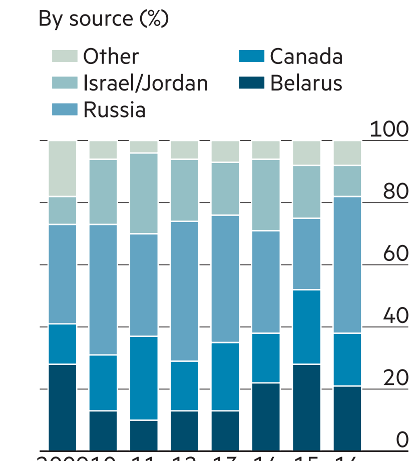
This seems to be happening. Mosaic, for example, recently announced it would idle a mine with capacity of about 2.6m tonnes until the end of the year. Nearly 7m tonnes of production capacity could be closed between 2016 and 2020, says PotashCorp.

In the medium term, however, the market is braced for new production. K+S's Legacy mine in Canada is due to be commissioned this year, reaching 2m tonne capacity in 2017. EuroChem is planning two projects in Russia with targeted capacity of more than 8m tonnes, with production aimed at 2017-18.

5. Possible Belaruskali and Uralkali reunion
A leading factor behind tougher competition in the potash sector has been the break-up in 2013 of the original BPC, formed between Uralkali and Belaruskali. Uralkali quit the trading arm after it accused Belaruskali of going behind its back in trading with China.

In the past year, Uralkali's shareholders have reportedly approached Belaruskali about reviving their export operations. If that happens, it could be bullish for potash prices. But Ben Isaacson at Scotiabank says there is little upside for Belaruskali, which has now formed relationships in key potash markets.





Sources: Bloomberg; Macquarie

Commodities

Gasoline stocks push oil to cusp of bear market

NEIL HUME AND DAVID SHEPPARD

Oil was on the cusp of entering a new bear market yesterday after a surprise increase in US gasoline stocks drove benchmark US crude prices to the lowest level since April.

West Texas Intermediate sank below $42 a barrel in the wake of US government data that showed motor fuel inventories climbing by 452,000 barrels last week, instead of falling as analysts had predicted.

WTI has fallen by 19 per cent since hitting a year-high of almost $52 a barrel in June, with a decline of 20 per cent from a peak generally accepted as marking the beginning of a bear market.

Brent, the international crude marker, was down to $43 a barrel, having lost 18 per cent since June.

The US gasoline figures added to concerns that a huge surplus of refined products could delay the long-awaited rebalancing of the oil market, as refiners buy less crude to turn into vehicle fuel.

The US is the world's most important market for such fuel, consuming one in every nine barrels globally.

The price fall will put fresh pressure on major producing countries and companies who thought a two-year market rout was over, after the oil price almost doubled between January and June.

"It doesn't look the bulls will be back in charge of this market any time soon," said Tamas Varga at London-based oil broker PVM.

At 241.5m barrels US gasoline stocks are now 12 per cent higher than this time a year ago, according to the latest weekly report from the US Energy Information Administration.

"We are above last year's level for this time of the year by 25.5m barrels and we are above the five-year average by 25.7m barrels," noted Dominick Chirichella of the Energy Management Institute.

Inventories usually fall over the summer driving season but this year the decline has been muted as refiners have continued to churn out products and demand has been weaker than expected.

The increase in stocks has been putting pressure on gasoline prices and in turn refinery margins, which have declined sharply. BP, one of the world's biggest oil producers, said on Tuesday that its margins had slumped to a six-year low in the second quarter and warned of continued pressure.

Yesterday's report from the EIA also showed commercial crude stocks had risen for the first time since May, increasing by 1.67m barrels to 521.13m.

Capital markets

Emerging market debt yields hit record lows

JOEL LEWIN

Emerging market sovereign bond yields have plunged to record lows this week as the post-Brexit rally gathers pace.

The average emerging market government bond yield has dropped to an all-time low of 4.47 per cent, according to Bank of America Merrill Lynch indices, down from 4.84 per cent at the start of the year.

As developed market sovereign bond yields have fallen after the vote and yields on a growing pool of debt — roughly $13tn — have turned negative, investors have piled into emerging market bonds, which offer substantially higher yields.

The asset class has been buoyed by a rebound in commodity prices this year, which has helped support commodity exporting economics such as Brazil, Russia and South Africa.

"Emerging markets have only enjoyed such a benign funding sentiment on one previous occasion since the Lehman collapse — at the peak of the US quantitative easing programme in 2012 — which at that time led to a strong performance in EM," Wike Groenenberg, at BNP Paribas, said.

Brexit has contributed to the relative attractiveness of emerging market debt.

"While there may be some Brexit-related headwinds faced by emerging market corporate debt in the coming years, the asset class looks much less exposed and therefore better positioned than developed market asset classes," Brigitte Posch, head of emerging markets corporate debt at Babson, said.

Emerging market high-yield corporate debt is enjoying a rally as yields on sovereign EM are compressed. The average yield for the asset class has fallen to a two-year low of 7.45 per cent this week, a turnround after it ballooned to a four-year high of 11.26 per cent in January, BAML indices show.

Emerging market corporate junk bonds have returned 14.2 per cent so far this year, compared with 12.5 per cent for US junk, 5.7 per cent for euro-denominated junk and 5.6 per cent for sterling junk, according to BAML data.

Emerging market corporate junk bonds are in a sweet spot. Sovereign downgrades over the last few years have dragged emerging market companies into junk territory even though "some of these 'fallen angels' on the corporate side have all the attributes of an investment grade credit profile, therefore opportunities to earn a premium do exist," Ms Posch said.

MARKETS & INVESTING

TRADING POST

Jamie Chisholm

The falling oil price is not yet delivering the hit to broader market sentiment that it did in the first few months of the year.

When Brent crude was diving towards its 12-year low of about $27 a barrel in January, it was causing a right old kerfuffle in the stock market.

But Brent's roughly 15 per cent retreat from its high of $52.80 last month coincides with Wall Street at a record high.

Why? What's the difference this time?

Well, first, the latest dip — a few sharp up and down daily moves aside — has been fairly orderly.

Traders are not panicking because they have already been through a plunge to much lower levels and know the playbook.

They know, for example, that the market's automatic stabiliser works quite well. If oil prices fall much lower, US rigs will start to be mothballed again and production will ease.

Billions of dollars worth of investments have already been shelved by oil companies.

Also, there should be less uncertainty about how lower oil prices transmit through the economy.

In particular, at the start of the year there was much fear that banks were badly exposed to energy-based credit.

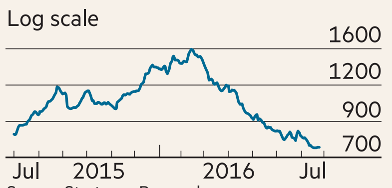
It now seems those worries were overdone. The most vulnerable energy companies will have been culled.

Strategas notes that the latest pullback in oil prices has not led to any "meaningful deterioration" in spreads for the high-yield energy bond sector.

jamie.chisholm@ft.com

High-yield energy bond spreads

Log scale



Source: Strategas Research

Global overview

Equities struggle for direction as crude slides to multi-month lows

Outcome of key Fed meeting awaited while yen surrenders gains on Abe stimulus and FTSE 250 sweeps away Brexit gloom

DAVE SHELLOCK

Global stock markets lacked a clear trend ahead of monetary policy decisions from the Federal Reserve and Bank of Japan, while oil prices sank to multi-month lows on the back of bearish US inventories data.

The chief focus for the markets will be the outcome of the Fed's Open Market Committee meeting, due to be announced after the close of European trade.

While it is considered a virtual certainty that rates will be left on hold, the key will be whether the accompanying statement contains any hints on when the central bank will resume its policy of "normalisation".

Meanwhile, the yen gave back nearly all of the previous day's sharp rise against the dollar following reports that Shinzo Abe, Japan's prime minister, had agreed a ¥28tn stimulus package, with about half that figure comprising "fiscal measures".

The reports came as talk swirled round markets that the government would announce a new 50-year Japanese government bond plan in the coming days.

The dollar rose as high as ¥106.53 before easing back to ¥105.71, still up 1 per cent on the day. The euro was 1.1 per cent higher versus the Japanese **currency** at ¥116.16. Japanese stocks rebounded after Tuesday's sell-off with the Nikkei 225 climbing 1.7 per cent.

"This looks very much like the market quickly put two and two together and came up with a very appealing answer — the government was moving toward specifically issuing longer-term debt to finance some larger than expected stimulus plan," said Derek Halpenny, analyst at Bank of Tokyo-Mitsubishi UFJ.

But he added a note of caution. "Firstly, the 50-year JGB plan has been denied, while secondly we should remain wary of the fiscal stimulus package being much more than what was already expected by the markets.

"The larger than expected size might well be down to add-ons that do not relate to actual fresh stimulus spending."

Hans Redeker, head of global FX strategy at Morgan Stanley, said the market had become more and more sensitive to signs of increasing co-ordination between monetary and fiscal policy in Japan.

"Hence, it will be important to see how the BoJ communicates its plans to manage its balance sheet," he said.

The central bank will conclude its policy meeting on Friday.

"Should the BoJ offer forward guidance by vowing not to shrink its balance sheet in the future, then investors would see Japan one step closer to breaking the link between the consumers' expectation that today's fiscal expenditure will lead to tomorrow's tax increase."

Meanwhile, expectations for a cut in interest rates in the UK next week helped drive the yield on 10-year gilts down 8 basis points to 0.74 per cent — although sterling was just 0.1 per cent lower against the dollar at $1.3110 — as the markets largely shrugged off a pick-up in the country's economic growth in the three months leading up to the EU referendum.

"Growth looks set to slow sharply in the third quarter, with the risk of a downturn having risen sharply as post-referendum data have disappointed," said Chris Williamson, chief economist at Markit.

"Policymakers won't be especially interested in what happened prior to the June 23 vote."

Despite the concerns over the economic outlook, the UK FTSE Mid 250 **equity** index — considered far more domestically orientated than the more international FTSE 100 — briefly regained its post-Brexit vote level.

Several continental European stock indices managed to achieve the same feat, as the Euro Stoxx 600 index rose 0.4 per cent.

But Wall Street could not sustain an initial push higher, with the S&P 500 was down 0.3 per cent at 2,162 by midday in New York, despite a 6.5 per cent jump for Apple shares after its results beat expectations.

Energy stocks were big fallers as Brent **oil** fell 2.6 per cent to $43.72 a barrel — its lowest since May 10 — after news of an unexpected increase in crude inventories last week.

Brent has now fallen more than 17 per cent from an eight-month high of $52.86 reached in early June.

Meanwhile, the contrast between expectations for official interest rates in the US and the eurozone were illustrated by moves in the **government bond** markets.

Ahead of the outcome of the Fed meeting, the yield on the 10-year US Treasury was down 1bp at 1.55 per cent, while that on the 10-year German bond fell 4bp to minus 0.08 per cent.

Gold was up $6 at $1,325 an ounce.

Yoshikazu Tsuno/AFP

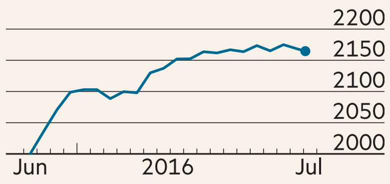
Japan and stimulus — stick or twist? FT.com/video

The yen has moved because traders are less convinced on Bank of Japan stimulus. Derek Halpenny of MUFG explains

Markets update

S&P 500 index

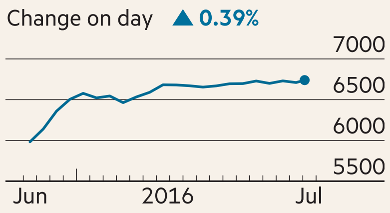
Change on day ▼ 0.29%



US equities Wall Street adopted a cautious tone, in spite of a sharp rise for Apple, as oil prices fell sharply and participants awaited the latest policy statement from the Federal Reserve

FTSE 100 index

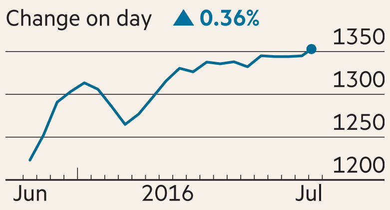
Change on day ▲ 0.39%



UK equities Gains for housebuilders helped the FTSE 100 reach its highest close for nearly a year while the FTSE Mid 250 index finished within reach of its pre-Brexit vote level

Eurofirst 300 index

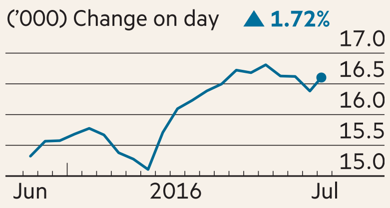
Change on day ▲ 0.36%



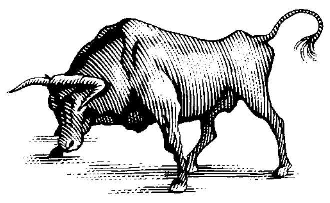
European equities Carmaking stocks led the way higher in Europe with shares in France's Peugeot leaping 9.3 per cent after it reported a doubling in its first-half net income

Nikkei 225 index

('000) Change on day ▲ 1.72%



Japanese equities Hopes that the government would soon unveil a huge economic stimulus package helped the Nikkei recover all of Tuesday's decline



Wall Street

Garmin's pulse quickens amid strengthening demand for wearables

Mamta Badkar and Adam Samson

Garmin was the biggest gainer on the S&P 500 after the Swiss company known for its fitness trackers and GPS devices lifted its full-year outlook and reported upbeat second-quarter results, driven by strong demand for its fitness products.

The shares, listed in New York, advanced more than 11 per cent to $51.60 yesterday, taking their year-to-date gains to nearly 40 per cent, after the company said it expected full-year sales of $2.9bn, up from its previous forecast for $2.82bn. That topped analysts' estimates for $2.84bn.

Garmin also lifted its earnings outlook for the fiscal year to $2.50 a share, up from $2.25 and eclipsing expectations for $2.30. Profits rose to $161m, or 85 cents a share, compared with $137.8m, or 72 cents, in the period a year ago. Sales rose 5 per cent to $811.6m. Wall Street analysts had been looking for earnings of 67 cents a share on sales of $760.8m.

Garmin said its "strengthening position in the wearables market" had helped to drive a 34 per cent increase in sales of its fitness devices to $212.9m.

The rally in its shares came as US stocks fluctuated between losses and gains. By midday the S&P 500 had slid 0.2 per cent to 2,164.44, the Dow Jones Industrial Average was 0.1 per cent lower at 18,455.97 and the Nasdaq Composite had climbed 0.4 per cent to 5,132.39.

Elsewhere, **Akamai Technologies** tumbled after the technology company revealed its slowest sales growth since 2009. Its sales rose 5.8 per cent on year to $572.1m in the second quarter, missing Wall Street expectations of $575m. That represented a slowdown in sales growth from the 7.8 per cent pace in the first quarter and 13.6 per cent in the second quarter of 2015.

Net income rose to $73.6m, compared with $67.2m in the period last year. Adjusted earnings per share, which exclude certain items, of 64 cents a share matched expectations.

The shares tumbled 16.2 per cent to $48.69, extending the 12-month loss to almost a third.

Also in the technology sector, **Apple** shares jumped 6.4 per cent to $102.86, adding $33.9bn to the group's market value, after its chief executive hinted that it was working to develop new products amid slowing iPhone sales. "There is quite a bit that we are doing beyond our current products," said Tim Cook late on Tuesday as the group unveiled quarterly earnings that narrowly topped estimates.

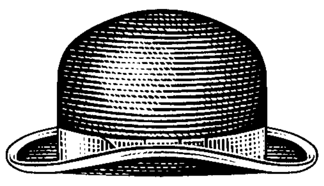
Twitter plummeted 12.8 per cent to $16.10 after the social media company said it expected sales in the range of $590m to $610m in the current quarter, below estimates for $681.4m.

Garmin

Share price ($)

Source: Thomson Reuters Datastream

Indices	Close	Day's change
S & P 500	2163.12	-6.06
DJ Industrials	18449.19	-24.56
Nasdaq Comp	5129.70	19.65
Russell 2000	1204.70	-8.35
VIX	13.48	0.43
US 10 yr Treas Bd	1.54	-0.02
US 2 yr Treas Bd	0.73	0.00



London

Brewin Dolphin leads wealth managers higher after round of earnings

Thomas Hale

Shares in **Brewin Dolphin** jumped by the most in a single day since 2008 amid a broader rally for UK wealth managers.

The stock led the FTSE 250 index to gain 10.4 per cent, closing at 216.6p, and has now erased its sharp post-Brexit losses.

"Brewin's core discretionary business has continued to deliver organic funds flow and income growth despite uncertain market conditions," wrote analysts at RBC Capital, who upgraded the company to outperform.

They added that Brewin, which announced earnings yesterday, has underperformed peers and the wider index earlier this year. It remains 15.6 per cent down so far in 2016. "We believe this underperformance . . . is overdone, and that a recovery in the share price is warranted".

Other UK wealth managers, some of the biggest fallers after the UK voted to leave the EU, rallied after many of them posted their latest earnings. **St James's Place** rose 3.8 per cent to 917.5p. **Jupiter Fund Management** gained 4.4 per cent to close at 416.7p, while **Rathbones** added 1.2 per cent to close at £18.39.

Peel Hunt upgraded Rathbones to a buy on an unchanged price target. "Today, Rathbones' multiple looks far more attractive after recent share price falls . . . given the longer-term attractions of the UK wealth management sector," analysts wrote.

The FTSE 250 added 1.2 per cent to close at 17,265.9, and has erased most of its losses since the vote. The FTSE 100 edged up by 0.4 per cent to 6,750.4.

Elsewhere, tobacco companies weakened. **Imperial Brands**, one of the weakest performers on the FTSE 100, lost 1.6 per cent to close at £39.46. **British American Tobacco** was down 0.7 per cent to close at £47.47.

Exane BNP Paribas reduced BAT's price target to £49.00 after the close on Tuesday. "Currency translation is the biggest risk, followed by unforeseen disruptive tax or regulatory measures in key markets," analysts wrote. The report added that the company remains in a "favourable structural position and is likely to deliver strong compound growth over time".

Housebuilders rallied across both the FTSE 100 and FTSE 250 indices, reversing losses earlier in the week. **Barratt Developments** was the largest riser on the FTSE 100. The company added 6.8 per cent to close at 432.9p.

Taylor Wimpey gained 6.7 per cent to close at 154.6p. **Persimmon** also benefited, adding 5.9 per cent to close at £16.81. **Crest Nicholson** was one of the leading performers on the FTSE 250, adding 9.6 per cent to close at 440.2p.

Hikma Pharmaceuticals was the biggest faller on the FTSE 100 index, losing 3 per cent to close down at £25.61. **Smurfit Kappa** was the biggest loser on the FTSE 250, dropping 3.3 per cent to close down at £17.90.

Markets & Investing

FINANCIAL TIMES

SMART MONEY

John Authers

UK stocks are not cheap enough given the Brexit unknowns

A week is a long time in UK politics. So said Harold Wilson, a former prime minister, and the month since the vote to leave the EU feels like a lifetime. But extraordinary political volatility has been accompanied by calm on the markets. How to explain this, and how to take advantage?

The initial response — a 10 per cent fall in sterling against the dollar that more than doubled its previous greatest daily decline in the post-Bretton Woods era — has proved a one-off adjustment. Sterling remains almost exactly where it was at dawn on June 24. A brief further decline was arrested when Theresa May sewed up the prime ministership swiftly.

It has not fallen into the abyss, as many feared. Neither has it recovered. Instead, hovering around $1.31, it has found a range it had not seen in for more than three decades, about 10 per cent below its pre-referendum range.

Fears that this dislocation would cause a systemic crisis have been quashed. International stocks sold off for a few days but then rebounded. The S&P 500 in the US has even set a new record. After a brief spike the Vix volatility index is significantly lower than just before the referendum.

Measured in pounds, UK stock indices have regained their position of June 23. As Jonathan Stubbs of Citigroup points out, the one-off sterling devaluation has driven a one-off revaluation of the earnings prospects for UK exporters and multinationals.

Entering the referendum, FTSE 100 earnings had dipped 50 per cent since 2012, even as dividends had risen — an unsustainable situation. Since the beginning of June expected earnings for this and the next two years have been written up by $16bn, says Mr Stubbs. The five sectors whose 2017 earnings forecasts have been written upwards the most — energy, mining, pharmaceuticals and biotechnology, tobacco and beverages — derive at least 60 per cent of their profits from outside Europe.

> A nightmare scenario could happen quickly; any benefits would take years

The growing likelihood of more stimulus from the Bank of England also helps share valuations. But much of this has to do with money illusion, and the joys of denominating in a weak currency. Over the past year the FTSE 100 is up 3.3 per cent and the FTSE 250 has dropped less than 1 per cent. The FTSE-All World index excluding the UK is up 17.8 per cent in sterling terms, with most of the gap opening since the referendum.

Sterling has taken the strain. The devaluation has kept other assets afloat. As Simon Derrick at BNY Mellon points out, it was ever thus. British authorities have always been content to let a devaluation come to the rescue, and rare exceptions — such as Winston Churchill's decision to rejoin the gold standard and John Major's to enter the European exchange rate mechanism — have been quickly reversed. For now a 10 per cent sterling devaluation has been enough to contain the political uncertainty.

But investors are plainly worried about something when it comes to the UK. Gold, when measured in pounds, took a sharp leg higher and has barely retraced any of it. Ditto gilt yields, with less than 1 per cent for the 10-year.

The concern is what happens next. We now know, as was not at all clear on referendum day, that the Rubicon does not need to be crossed for a while. Article 50, which starts a two-year process of departing from the union, has not been invoked, nor will it be this year.

It is also clear that the range of potential Brexits is wide. A very market-friendly outcome, in which the UK maintains much the same access to the single European market, is possible. So is an isolationist disaster, as far as the market is concerned, in which the UK severs its trade links with the Continent, and crucially gives up on UK banks' ability to "passport" into the EU, in return for less migration.

The dilemma is almost identical to the schism in the US Republican party, pitting anti-immigration populists against pro-trade financiers and business interests. For the next few months, until a decision on Article 50, it is reasonable to expect UK assets to maintain their holding pattern.

Where does that leave investors? For those who must hold sterling-denominated securities, exporters and multinationals are the best bet. For international investors, sterling's current valuation may be fair.

Equity valuations are low enough to protect against a fair amount of downside, but not compellingly so. According to Research Affiliates, UK stocks are at a multiple of 11 times average earnings for the past decade, compared with a median since 1969 of 15. This is cheaper than France or Germany (both 15 and at much the same discount to their median), but only slightly cheaper than the Europe, Australasia and the Far East region as a whole, which at 13 is far below its median of 22.

The political risks, at least in the short and medium terms, look asymmetric. Nightmare scenarios, such as an exodus from the City and a renewed run on sterling when Article 50 is invoked, could happen in months.

Benefits from Brexit — such as lighter regulation and an invigorated ability to make trade deals — would take years to come to fruition. Tighter curbs on immigration might benefit Main Street in the UK but at the expense of Wall Street. And any decision to abandon the Brexit project — which the market would probably cheer — would lead to political uncertainty to dwarf the drama of the past month.

The next few months in UK politics could feel like many lifetimes — especially for those who expose themselves to UK assets. At present prices, the market gives investors no compelling reason to take on those risks.

john.authers@ft.com

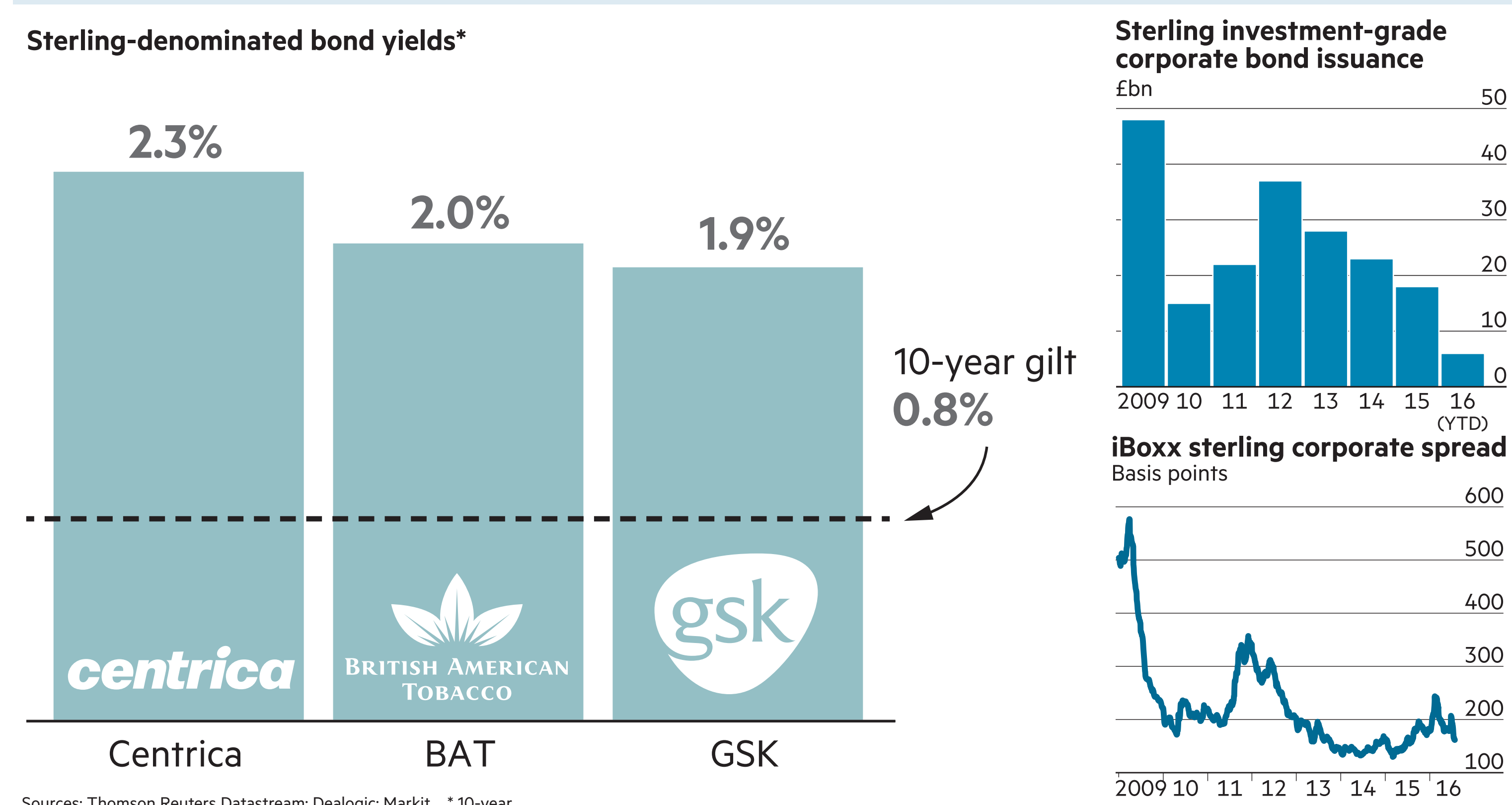
Analysis. Capital markets

BoE weighs its options for stimulus

Policy of buying corporate debt is being mooted, despite a small pool of eligible bonds

ELAINE MOORE AND GAVIN JACKSON

Eligible assets?



Sources: Thomson Reuters Datastream; Dealogic; Markit * 10-year

A week from now, Bank of England officials will conclude one of the most important meetings of the past 10 years as they decide how to tackle a likely post-Brexit downturn for the UK economy.

Several options are in their arsenal, but with the European Central Bank having embarked on buying corporate bonds, investors are examining whether it would make sense for the BoE to follow suit and buy the debt of UK plc for the first time since the financial crisis.

Prices for sterling-denominated bonds have been rising ahead of the BoE's August 4 meeting, as investors bet on fresh stimulus that will push down borrowing costs for British companies. Meanwhile, banks are putting analysts to work to assess what a corporate bond purchase might look like.

"This is something no one would be talking about if it were not for Brexit," says Hans Lorenzen, credit strategist at Citi. "But the idea of corporate bond buying is in the air right now."

Some form of action is a done deal. Martin Weale, one of the Monetary Policy Committee members, told the Financial Times he favoured stimulus.

Borrowing rates for companies issuing debt in pounds have fallen faster than government bond yields since the referendum, receiving a further push down following the publication of data last week that showed business activity had fallen to levels last seen in 2009.

Those in favour of firing up corporate bond buying point to the success of the ECB's €9bn-per-month programme, which has boosted prices and encouraged euro-denominated bond issuance.

By contrast, annual sales of sterling-denominated corporate debt have fallen sharply in recent years as companies opt to borrow in other currencies at lower rates. Total issuance last year was around half the sum sold in 2012.

> 'The idea of corporate bond buying is in the air right now'

If the BoE bought corporate bonds it could push borrowing costs for companies down and encourage greater debt issuance in sterling, helping to build up a more liquid domestic credit market.

"In our view, there is a benefit to economic performance through the wealth effect if confidence is generated by supporting risky asset prices," says Sam Hill, economist at RBC.

But putting this into practise would mean the BoE wading into what is a relatively small market.

If the central bank adopts the eurozone's approach to corporate bond buying — excluding non-UK domiciled companies, banks and subordinated-bonds, as well as debt with too short or too long maturities — it will be left with a pool of about £110bn of eligible paper dominated by utility companies Centrica, SSE and Severn Trent Water, the tobacco businesses Imperial Brands and British American Tobacco and pharmaceutical company GlaxoSmithKline, according to Financial Times analysis.

Citi analysts reckon the volume of available bonds would be even smaller — just £45-55bn — if the BoE uses the criteria it employed in 2009 and limits bond purchases to companies "that make a material contribution to economic activity in the United Kingdom".

The relatively small size of the corporate market may put BoE officials off, says Danny Blanchflower, who was on the MPC between 2006 and 2009.

"This is all about the need to create a fiscal boost," says Mr Blanchflower. "But the question is, if you take this route what can you actually buy?"

During the financial crisis the BoE purchased corporate bonds, with the aim of helping a market that had seized up. But only small sums of commercial paper were bought, amounting to less than 1 per cent of the UK's £375bn quantitative easing programme.

Critics such as Steven Major of HSBC argue the limited size of purchases meant it did not have much of an impact. The BoE would face the same questions now — and this market hasn't dried up.

Just six days after Britain voted to leave the EU, British American Tobacco and whiskey maker Brown-Forman both managed to successfully sell sterling bonds worth a total of £800m.

If the BoE does instigate a corporate bond buying programme, the main winners will be investors, argues Jim Leaviss of M&G Investments, not the economy or the companies — which can issue debt at low rates elsewhere.

Commodities

US tops hop charts as growers tap beer boom

EMIKO TERAZONO

The craft beer boom has catapulted the US to the top of the pile of the world's hop growers for the first time in almost half a century.

Farmers are rushing to increase their hop acreage to tap rising demand for the key ingredient in beer.

Hop acreage in the US jumped 18 per cent to 18,478 hectares last year, ousting Germany from the top spot for the first time since 1967, according to an annual report from Barth-Haas Group, the hop trader.

"The expansion of the US hop industry is driven by the craft beer movement's appetite for US flavour hops," said Barth-Haas. The trend was "unlikely to be reversed for the time being".

The US also became the top hop producer by volume in 2015, producing 36,389 tonnes, up 12 per cent from the previous year. Germany's output fell 26 per cent to 28,337 tonnes after a drought hit the crop. The US last overtook Germany in 2013.

Demand for "aroma" hops that flavour beer has surged thanks to the growing popularity of craft beer. Prices have jumped for certain speciality hops as craft brewers use between four and 10 times more crop than the average lager produced by international beer groups.

The high prices have encouraged hop farmers to increase the planting area of aroma hops.

According to the latest report from the US Department of Agriculture, the country's 2016 acreage has so far risen 17 per cent to the highest level in almost a century.

The number of varieties cultivated in the US totals 83, compared with 32 in Germany, highlighting "where the action is in today's hop market", said Barth-Haas.

In 2015, US craft beer output rose 15 per cent, slightly below the growth of 18 per cent in 2014, according to the country's Brewers Association. However, this year growth is expected to slow.

This is in sharp contrast with the overall beer market. World beer production in 2015 fell for the second consecutive year for the first time in the postwar period. Although beer output fell in 1984, 1992 and 2014, "never before had declines been registered in two years in succession", said Barth-Haas.

Production fell in China, the US, Brazil and Russia, and 2016 output is forecast to fall again.

This year's US hop harvest is expected to be "large", easing "the pressure in the overheated market for flavour hops", the report said, while the hope is for a "normal" crop in Europe.

A severe drought in the hop regions in Germany and intense heat affected crops in 2015, leading to a scramble for ingredients.

In the US Pacific Northwest, the key growing region for hops, a warmer than normal spring accelerated growth for several varieties.

At the end of May, "hop growth was ahead of normal" in the US, while in Germany, hops in Hallertau, a leading hop-growing area in Bavaria, were damaged by heavy rain.

"The resulting shortfall in yield will depend greatly on the weather and growth patterns during the rest of the season," said Barth-Haas.