FINANCIAL TIMES

WEDNESDAY 29 JUNE 2016 | WORLD BUSINESS NEWSPAPER | EUROPE

BREXIT CRISIS

- The best thing to do now is nothing — MARTIN WOLF, PAGE 11
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- EU workers may soon shun the UK — SARAH O'CONNOR, PAGE 12

Tensions rise ahead of looming 'divorce' talks

Merkel warns internal freedoms are indivisible

Frustration grows over lack of clarity from Britain

Cameron blames Brexit defeat on EU failure to tackle immigration

GEORGE PARKER, ALEX BARKER AND GUY CHAZAN — BRUSSELS

David Cameron told European leaders he lost the EU referendum because they failed to address public concerns over immigration, as tensions rose ahead of looming Brexit negotiations.

The British prime minister said at his final summit in Brussels last night that fears of mass immigration were "a driving factor" behind the vote and free movement would have to be addressed in Brexit talks.

Angela Merkel, the German chancellor, and other leaders blocked British demands ahead of the referendum for an "emergency brake" on migrant numbers and the idea remains anathema.

Mr Cameron, who announced his resignation last week, said that he wanted Britain and the EU to retain "as close an economic relationship as possible". But, at an emotional dinner, he warned that the UK could not continue to accept large numbers of EU migrants, even if that meant losing access to the single market.

His remarks underscored the hard task facing both sides in reaching a new accord. Addressing the German Bundestag before the Brussels summit, Ms Merkel warned the UK that there would be no "cherry picking" in its Brexit negotiations.

She spelt out that the EU's internal freedoms were indivisible, saying that Britain would have to accept freedom of movement if it wanted access to the internal market.

There is growing frustration in European capitals over the lack of urgency in Britain towards activating formal Article 50 divorce proceedings.

Mr Cameron has said a decision to trigger Article 50 will be for his successor, to be elected by Conservative party members on September 9. Theresa May, the pro-EU home secretary, and Boris Johnson, the pro-Brexit former London mayor, are the frontrunners.

A lot to talk about: Angela Merkel and David Cameron at the Brussels meeting — Olivier Hoslet/EPA

Some EU leaders are impatient to get on with formal negotiations and UK diplomats expect the new premier to come under intense pressure to trigger Article 50 in the autumn. "Married or divorced, but not something in between," said Xavier Bettel, Luxembourg prime minister. "We are not on Facebook, with 'it's complicated' as a status."

> 'We are not on Facebook — with "it's complicated" as a status'
>
> Xavier Bettel, Luxembourg PM

> There would be no 'cherry picking' in the Brexit negotiations
>
> Chancellor Angela Merkel

Mark Rutte, the Dutch premier, argued for Britain to be granted "some space". But he was unforgiving in his reasons why: "England has collapsed politically, monetarily, constitutionally and economically."

Financial markets took a break from two trading days of steep losses. UK shares recovered in London and the pound rose, trimming its decline against the dollar since the vote last week to 10 per cent.

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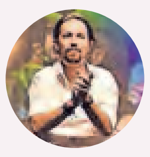
Briefing

Lending Club to cut staff amid scandal
The US online lender will cut about 12 per cent of its staff as it tries to deal with a scandal that triggered the exit of a founder embroiled in new allegations of questionable practices.— PAGE 15; LEX, PAGE 14

Draghi urges central bank co-ordination
The ECB chief has called on officials from around the world to align policy decisions, saying a shift to a more global view would prevent some of the worst side effects of aggressive monetary easing.— PAGE 7

Former BP chief in renewables alert
Lord Browne has warned that oil groups could go bust if they do not address the risks created by climate change and prepare for countries to switch to cleaner fuel.— PAGE 15; FROM GREEN TO BLACK, PAGE 11

Spanish left leader looks to the future



Pablo Iglesias has insisted that his Unidos Podemos is the party of the future, despite emerging as the big loser in Spain's general election. Sceptics argue it has lost its big chance.— PAGE 8

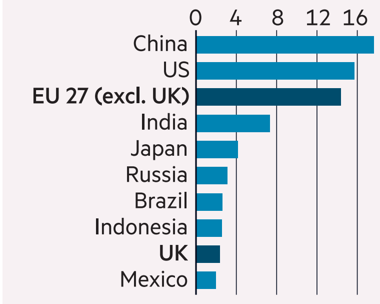
Clinton unscathed by Benghazi report
A Republican report into the 2012 attack on the US consulate blamed red tape for blocking help for the four who died but did not find evidence of mistakes by then secretary of state Hillary Clinton.— PAGE 7

Consumer goods slowdown in China
Reliance on consumption to take up the slack for a slowdown in exports has been dealt a blow by falling sales of daily necessities, with goods aimed at blue-collar workers hardest hit.— PAGE 18

Norway oil fund ditches energy groups
Norway's $835bn oil fund has excluded from its portfolio the UK's Cairn Energy and Kosmos Energy of the US over their roles in exploration off the coast of the disputed territory of Western Sahara.— PAGE 17

Datawatch

Share of world GDP
2016, at purchasing power parity



Source: IMF

China, the US and the EU — excluding the UK — are the three biggest economies in the world and together they account for about half of the global output in 2016. The UK ranks ninth by size of the economy, with a 2 per cent share

Laid back Brazil trains for Olympic terror threat

Brazil on alert ▸ PAGE 8

VW warned of criminal probe despite record $15bn US pollution settlement

PETER CAMPBELL — LONDON
PATRICK MCGEE — FRANKFURT
BARNEY JOPSON — WASHINGTON

US prosecutors warned Volkswagen and its suppliers they still faced a wide-ranging criminal investigation for their role in cheating emissions tests even as the carmaker agreed to pay $15.3bn in fines and environmental incentives.

The most costly air pollution settlement in US history includes $10bn to buy back 475,000 affected cars, $2.7bn in fines to the Environmental Protection Agency and $2bn to promote zero emission technology. It must be approved by a federal judge in California.

But while the justice department signed off on the agreement, Sally Yates, deputy attorney-general, said it was not the end of the government inquiry and federal prosecutors were "looking at multiple companies and multiple individuals" as part of their criminal probe.

"The settlements do not address any potential criminal liability, although I can assure you our criminal investigation is active and ongoing," said Ms Yates. "We'll follow the facts wherever they go and make a determination about whether any companies or individuals should be criminally charged."

The probe has already spread along VW's supply chain. The so-called defeat devices contained components from other manufacturers that prosecutors are also investigating.

The company has set aside €16.2bn to cover the global costs of the scandal, a sum it said yesterday was sufficient to cover the US settlement. "We take our commitment to make things right very seriously and believe these agreements are a significant step forward," said Matthias Müller, VW chief executive.

It is not clear whether the €16.2bn will be sufficient. The agreement does not include settlements over any criminal charges. In addition, EU regulators have called on VW to offer payments to consumers in Europe, where some 8.5m vehicles were fitted with the devices.

Elżbieta Bienkowska, EU industrial policy commissioner, said: "European consumers have been cheated in the same way as US customers, so it is only fair to offer comparable compensation without hiding behind legal arguments."

VW has refused to countenance compensation for EU consumers, arguing that the legal situation is different.

"VW clearly is not out of the woods yet," said Carl Tobias of the University of Richmond School of Law.

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Analysis page 17

Austria	€3.60	Macedonia	Den220
Bahrain	Din1.7	Malta	€3.50
Belgium	€3.60	Morocco	Dh43
Bulgaria	Lev7.50	Netherlands	€3.60
Croatia	Kn27.50	Nigeria	Naira715
Cyprus	€3.50	Norway	NKr34
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	Saudi Arabia	Rls15
Hungary	Ft990	Serbia	NewD420
India	Rup195	Slovak Rep	€3.60
Italy	€3.50	Slovenia	€3.50
Kazakhstan	US$5.50	Spain	€3.50
Kenya	Kshs300	Sweden	SKr37
Kuwait	KWD1.50	Switzerland	SFr5.90
Latvia	€6.99	Tunisia	Din7.50
Lebanon	LBP7500	Turkey	TL10
Lithuania	€4.30	UAE	Dh15.00
Luxembourg	€3.60		

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World Markets

STOCK MARKETS

	Jun 28	prev	%chg
S&P 500	2022.34	2000.54	1.09
Nasdaq Composite	4665.65	4594.44	1.55
Dow Jones Ind	17294.64	17140.24	0.90
FTSEurofirst 300	1252.49	1223.15	2.40
Euro Stoxx 50	2753.91	2697.44	2.09
FTSE 100	6140.39	5982.20	2.64
FTSE All-Share	3326.28	3237.54	2.74
CAC 40	4088.85	3984.72	2.61
Xetra Dax	9447.28	9268.66	1.93
Nikkei	15323.14	15309.21	0.09
Hang Seng	20172.46	20227.30	-0.27
FTSE All World $	254.13	250.89	1.29

CURRENCIES

	Jun 28	prev		Jun 28	prev
$ per €	1.105	1.098	€ per $	0.905	0.911
$ per £	1.332	1.315	£ per $	0.751	0.761
£ per €	0.830	0.835	€ per £	1.206	1.198
¥ per $	102.785	101.690	¥ per €	113.582	111.615
¥ per £	136.924	133.702	£ index	79.763	81.839
€ index	87.648	87.504	$ index	100.131	99.088
SFr per €	1.084	1.077	SFr per £	1.306	1.290

COMMODITIES

	Jun 28	prev	%chg
Oil WTI $	47.19	46.33	1.86
Oil Brent $	47.87	47.16	1.51
Gold $	1324.55	1315.50	0.69

INTEREST RATES

	price	yield	chg
US Gov 10 yr	101.52	1.46	0.02
UK Gov 10 yr	103.96	1.09	0.02
Ger Gov 10 yr	105.94	-0.11	0.00
Jpn Gov 10 yr	103.05	-0.19	0.00
US Gov 30 yr	105.07	2.27	0.00
Ger Gov 2 yr	103.29	-0.66	0.00
	price	prev	chg
Fed Funds Eff	0.37	0.37	0.00
US 3m Bills	0.27	0.27	0.00
Euro Libor 3m	-0.30	-0.30	0.00
UK 3m	0.55	0.56	-0.01

Prices are latest for edition | Data provided by Morningstar

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European response

Merkel insists no 'cherry picking' in exit talks

German leader rebuffs Johnson claim UK will keep single market access

STEFAN WAGSTYL — BERLIN
JIM BRUNSDEN — BRUSSELS

Angela Merkel, the German chancellor, warned the UK that there could be no "cherry picking" in its Brexit negotiations in a tough response to Leave campaigners' hopes of securing access to the internal market while limiting freedom of movement.

In a speech to the Bundestag yesterday morning, Ms Merkel spelt out to London that the EU's internal freedoms were indivisible — if Britain, like Norway, wanted access to the internal market then, like Norway, it would have to accept freedom of movement.

"We will ensure that the negotiations will not be run on the principle of cherry-picking," the chancellor said, drawing applause. "We must and will make a palpable difference over whether a country wants to be a member of the family of the European Union or not. Whoever wants to get out of this family cannot expect that all the obligations fall away but the privileges continue to remain in place."

Ms Merkel was speaking ahead of a European summit in Brussels beginning last night, at which David Cameron, the UK prime minister, explained the shock referendum vote to fellow heads of government. He will leave them to decide their formal response today to the union's first exit since its foundation nearly 60 years ago.

Her words were a rebuff to Boris Johnson, the chief Brexit campaigner and possible successor to Mr Cameron, who declared on Monday that Britain would retain "access to the single market".

Ms Merkel also insisted that there would be no informal talks with London before the UK submitted an application to start exit procedures — rejecting suggestions for such discussions from Leave campaigners, who are seeking to preserve as much flexibility as possible in the divorce proceedings.

At the European Parliament in Brussels, MEPs gathered for their own emergency summit to discuss Brexit. In a raucous session, they booed Nigel Farage, leader of the UK Independence party, which spearheaded the UK's withdrawal from the EU, showering him with shouts of "Shame on you!" when he rose to speak. "Out, out, out!" MEPs chanted, thumping tables.

But Mr Farage was unrepentant. "When I came here 17 years ago, and I said that I wanted to lead a campaign to get Britain to leave the European Union, you all laughed at me," he said. "Well, I have to say, you're not laughing now, are you?"

Gesturing to Mr Farage, sitting across from him in the parliament chamber, Jean-Claude Juncker, European Commission president, remarked: "To some extent, I am really surprised that you are here. You were fighting for the exit, the British people voted for the exit."

Mr Juncker also reiterated his call for an early start to Brexit negotiations, telling MEPs that rapid clarification was needed from Britain on the next steps. "I will ask the prime minister to clarify the situation as soon as possible. We cannot be embroiled in lasting uncertainty," he said.

Nigel Farage, left, in Brussels yesterday with Jean-Claude Juncker who called again for an early start to Brexit talks. Right, Angela Merkel rejected informal talks before an official application for the UK to leave
John Thys/AFP/Getty Image

Ms Merkel, Europe's most powerful leader and the pivotal figure in the coming negotiations, has tried to steer a more moderate course by giving the UK more time to consider its options.

The chancellor is hoping that the political, economic and financial shock of the post-Brexit vote will disabuse British politicians of unrealistic expectations. Still, she is also willing to leave the door open for the chance — however slim — that the UK might reconsider its decision, say German politicians.

She emphasised the joint membership of Nato, and common interest, with the US, in European security. Britain, too, had reasons to keep these links "close and friendly".

> 'Whoever wants to get out cannot expect all obligations fall away but privileges continue'

In her remarks, Ms Merkel also highlighted the importance of unity for the remaining 27, knowing that the Brexit vote has provoked calls in other countries for both exit referendums and for radical — and possibly divisive — EU reforms.

"Every proposal that could lead the EU of the 27 as a whole out of this crisis is welcome. Every proposal that, in contrast, strengthens centrifugal forces, that are already making Europe suffer, would have unforeseeable consequences for us all," she said. "It would further divide Europe."

She expressed particular concern that all 27 members should be involved in the Brexit process — addressing complaints from smaller states, especially in eastern Europe, that they might be disadvantaged. Ms Merkel said the EU's negotiating position would be discussed only after Britain applied to leave, and only by the 27 members together.

She insisted the EU was strong enough to manage the Brexit upheaval, to bring security to the 27 members and to represent their interests in the world.

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Interview. **Bohuslav Sobotka**

Czech PM bemoans rise in racial abuse of eastern Europeans

Premier says upsurge in racism and xenophobia will ultimately hurt the UK

GUY CHAZAN AND ALEX BARKER
BRUSSELS

The Czech prime minister has expressed alarm at the upsurge in racial abuse of eastern Europeans following last week's Brexit vote, saying it would "hurt the UK".

"We should remind ourselves that foreign workers are part of the UK economy, working for Britain's prosperity," Bohuslav Sobotka told the FT. "If we see more blatant examples of racism and xenophobia, that will ultimately hurt the UK."

The prime minister said he hoped the worsening attitude to foreigners was a "temporary thing linked to the referendum" but admitted he had been "disturbed" by the "negative focus on EU citizens working in the UK" during the campaign.

British police have recorded dozens of incidents of racial abuse against ethnic minorities since last week's vote to leave the EU, including the daubing of graffiti on a Polish community centre in London, verbal abuse against individuals and offensive leaflets aimed at Poles left on cars. David Cameron, UK prime minister, has condemned the incidents in parliament.

Mr Sobotka also echoed other leading European voices when he said the UK must agree to retain free movement of workers if it wanted to keep access to the EU's single market.

Boris Johnson, a leading Brexiter and candidate to succeed Mr Cameron as prime minister, insisted during the referendum campaign that the UK would retain access to the EU single market, without having to sign up to free movement of workers.

He pledged to "take back control" of immigration by introducing a points-based system to "suit the needs of business and industry".

Yet Mr Sobotka's comments indicate how difficult it will be to achieve that. In negotiations on a British exit, he said the Czech Republic had a "mandate to provide as much protection as possible for our workers in the UK, and make sure they're given the same rights as British workers in the Czech Republic".

He made clear that "if the UK wants to retain access to the single market, it will have to guarantee standard conditions for our workers in the UK".

His comments mirror the position of officials across eastern Europe who have stressed that maintaining benefits and privileges for their citizens living and working in the UK would be a priority in talks with Britain over leaving the EU.

Eastern states fiercely opposed Mr Cameron's attempts to restrict EU migrant workers' access to benefits, but reluctantly agreed to allow some curbs as part of a deal in February which ultimately failed to sway most UK voters. Demands for tighter immigration controls ended up being one of the main drivers of the Leave vote. "The central European countries consented to a compromise that wasn't easy and pleasant for them, but this wasn't enough," Mr Sobotka said.

> 'We should remind ourselves that foreign workers are working for Britain's prosperity'

The Czech leader, who has been prime minister since January 2014 at the head of a shaky coalition with his main political opponents, has emerged as the most pro-EU voice in central Europe amid rising nationalist rhetoric from neighbours such as Poland and Hungary. He has come under pressure to take harder positions on issues such as immigration as support rises for the populist ANO movement, led by Andrej Babis, his deputy prime minister.

Mr Sobotka suggested Brexit could potentially accelerate integration on the part of the 27 remaining EU member states. "If the economic situation [in Europe] worsens, this might present us with certain . . . ideas on where we may go forward in terms of integration," he said, while adding the Czech Republic remained opposed to banking union and joining the eurozone.

He also said the UK's departure could shift the balance on important issues of EU foreign policy, such as sanctions against Russia — a particularly sensitive issue in eastern and central Europe.

But a broader problem with the UK referendum result was that it had injected a new mood of doubt and insecurity about the EU's future.

The Visegrad Group of leading central European states, which includes the Czech Republic, yesterday called for a "smooth secession process" of the UK from the EU, in a statement demanding a "fresh" look at the European project.

Mr Sobotka said each nation was now likely to enter into a public debate about its place in the EU and the future of the bloc. "What's at stake is the future of European integration," he added.

Additional reporting by Henry Foy in Warsaw

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1 Southwark Bridge,
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Bank crisis Why Renzi's rescue plan has implications beyond Italy

ALEX BARKER AND JIM BRUNSDEN
BRUSSELS
RACHEL SANDERSON — MILAN

Shares in Italy's embattled banks rallied yesterday as investors were heartened that Matteo Renzi was eyeing a multibillion-euro injection of state capital into the sector's weakest institutions.

Should Italy's prime minister secure Europe's agreement for the €40bn plan, it would allow the country to conduct the kind of full-scale recapitalisation of its banking system that other EU countries undertook years ago. The problem is that Mr Renzi's rescue appears to be at odds with Europe's regulatory response to the 2008 financial crisis.

A central plank of that response was replacing the sort of taxpayer-funded bailouts that so angered voters during the eurozone crisis with a "bail-in" of bank creditors instead.

Why are the bail-in rules important?

The strict EU rules against state-backed rescues took years to negotiate and are so new they have barely been tested in a crisis with a big bank. But they were an essential precondition to eurozone integration; without these guarantees Germany would not have accepted the risk-sharing involved in creating a banking union.

Senior European officials fear Mr Renzi's effort is either, as one said, an "*opera buffa*", putting off the deep-rooted reforms its lenders badly require, or a needs-must intervention that would shatter Europe's commitment to the new bail-in regime.

What is the Italian problem?

Italy wants to recapitalise its troubled banks with state funds and buy bad loans that are straining lenders.

Concerns are focused on the sector's €200bn of gross non-performing loans, known as *sofferenze*, of which about €85bn have not yet been written down. The bad loans, built up during Italy's three-year recession and a decade of stagnation, are weighing on the banks' already weak profitability and limiting their ability to lend.

Mr Renzi argues he is trying to solve a problem that his predecessors ducked in 2013. But since then, EU restrictions on aid to banks have been tightened — a change that Italian regulators were aware of well in advance.

Italian politics also plays a part. Banca Monte dei Paschi di Siena, Italy's third-largest bank by assets, is facing the biggest difficulties. It happens to have close ties to Mr Renzi's centre-left Democratic party. Any restructuring would hit influential creditors and thousands of retail investors.

Will Rome win EU approval?

To mount any rescue, Mr Renzi needs a waiver from European Commission state-aid rules, and a legal route through the bail-in rules of the EU's Bank Resolution and Recovery Directive — something Italy has tried and failed to secure in the past.

Rome has seized on the market turmoil triggered by the Brexit vote to restate its case on the grounds that "financial stability" is now threatened. In Brussels, many regard that claim as overblown.

Berlin is also uneasy about abandoning the new bail-in rules. But it is worried about Italy's banking system, and supports Rome finding a way to clean it up. Pier Carlo Padoan, Italy's finance minister, is talking to Wolfgang Schäuble, his German counterpart, about options for a so-called precautionary recapitalisation, a way to boost capital in solvent banks. If state aid rules are waived, little or no bail-in of creditors is required.

While Berlin remains sceptical, some EU officials and MEPs are not ruling out a deal, especially if markets take a bad turn. "While I can certainly not endorse the Italian government trying to dodge banking union legislation, I can see where the problem is coming from," said Markus Ferber, a centre-right German MEP.

What is the downside?

Opponents of the capital injection say it breaks the spirit and letter of the rules and sets a dangerous precedent.

For Italy, the question is whether a capital injection will ultimately address the deep malaise of hundreds of smaller banks, which operate on a business model that may no longer be viable.

"Ultimately, to solve the problem, losses will have to be allocated, there will have to be closures and mergers and fewer branches. Whatever happens this needs to be done," said one European regulator familiar with the discussions. "Just fiddling with the rules won't make this go away."

Blackmail fears leave EU wary of helping Britain back from brink

Politicians grasp at second vote or early election to strike better terms

GEORGE PARKER, ALEX BARKER AND DUNCAN ROBINSON — BRUSSELS

David Cameron arrived in Brussels to discuss divorce, but behind the scenes the talk was all about whether the relationship could yet be saved. “Ultimately Brexit won’t happen,” said one senior UK diplomat.

British politicians, alarmed by the market chaos and turmoil at Westminster that followed last week’s referendum, claim that some Leave supporters were now having second thoughts and might want to reconsider.

Jeremy Hunt, the Conservative health secretary, suggested a second referendum would be needed to endorse the terms of the exit deal; the leader of the centrist Liberal Democrats, Tim Farron, committed his party to overturning Brexit.

“I wouldn’t write us out of Europe yet, OK?” said Tony Blair, Labour’s former prime minister. “I mean, I can’t see us having another referendum at this point. But I wouldn’t rule anything out.”

After winning more than 17m votes on Thursday, Leave campaigners are furious that anyone could question the outcome of the referendum. In public both Mr Cameron and European leaders are adamant that the vote must be respected.

“I can’t imagine the UK government not respecting the choice of the British people,” said French president François Hollande in Brussels. “When the people vote, one has to respect the universal suffrage.” Mr Cameron expressed similar sentiments to the House of Commons on Monday: “The decision must be accepted and the process of implementing the decision in the best way possible must now begin.”

But what if British opinion polls start to suggest the public has changed its mind about Brexit? Could there be a way back from the brink for the UK and would other European leaders be minded to help?

Opponents of exit point to two main scenarios. The first would involve the British people having another say on Europe in the event of an early general election.

A new Conservative prime minister, who will be in place by early September after Mr Cameron announced his resignation, may feel the need to seek a new mandate before the next planned poll in 2020.

Boris Johnson, the pro-Brexit leadership candidate, has said that if he wins he would not hold an early election, but some Tory MPs believe a new leader would have to seek a new mandate.

Europe would dominate such a poll. The Labour opposition, Liberal Democrats and Scottish National party opposed Brexit and could promise to overturn it or hold a second referendum. Even moderate Tories like Mr Hunt favour a second referendum once exit negotiations are complete.

“We will stand at the next election on a pledge to take Britain back in — or at least cease the Brexit,” Mr Farron said before a meeting with fellow Liberal leaders in Brussels yesterday. “There will be moderate Tories thinking: I cannot endorse this chaos any more.”

Under the second scenario, Britain would complete Brexit negotiations before the planned 2020 election, but with the next Conservative prime minister choosing to put the final deal to the people, as Mr Hunt suggests.

Mr Johnson hinted in February that this was his preferred option. “EU history shows that they only really listen to a population when it says No,” he said, before reversing that position and declaring: “Out is out.”

But any British politician hoping to overturn the Brexit vote would need help from other European leaders: the offer of a new package of EU reforms, including measures to address immigration, to sway British voters.

While some EU leaders would be happy to see Britain reverse course and choose to stay, most would be loath to offer any concessions — not least for fear that succumbing to blackmail would encourage others.

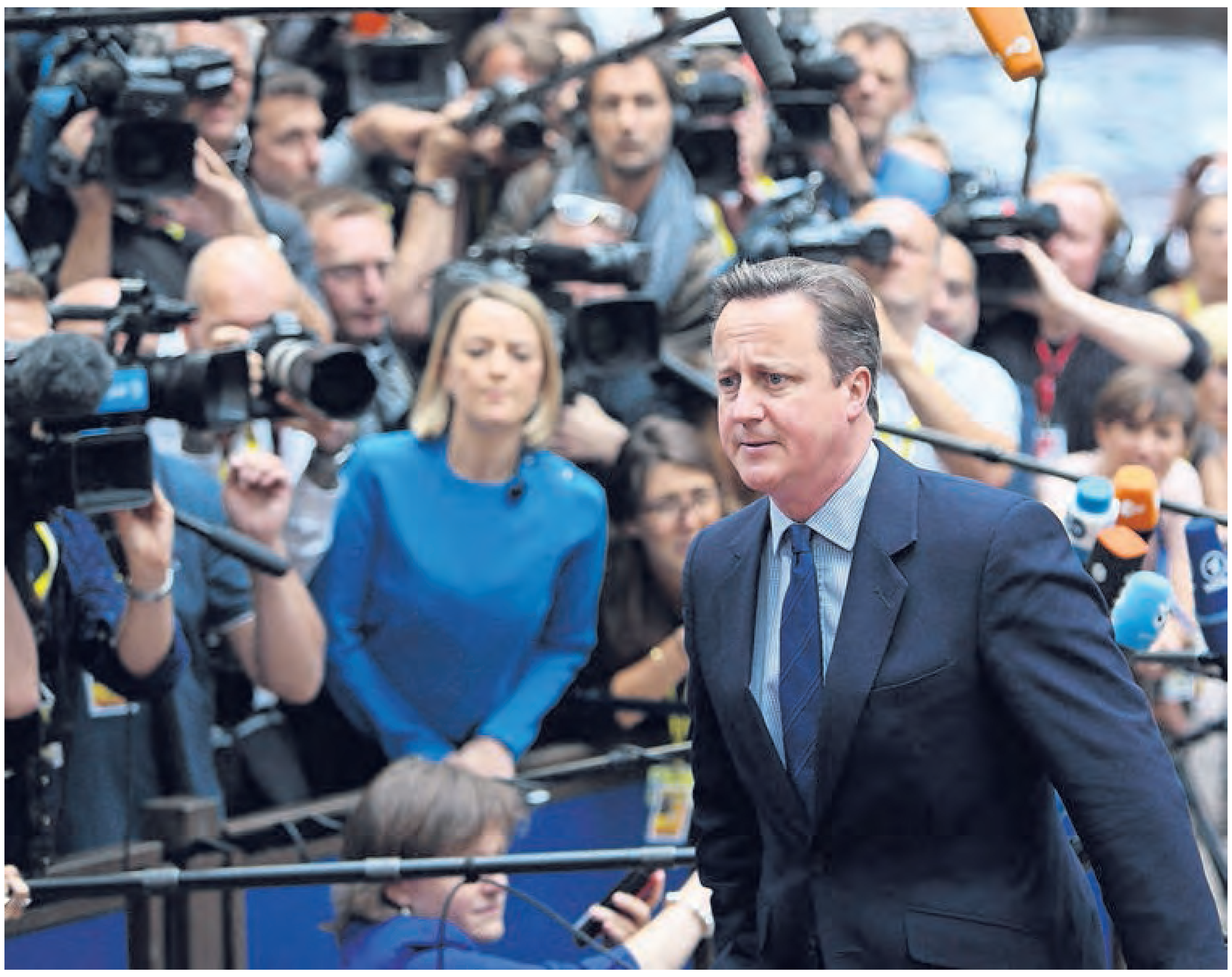
“This is a matter of survival for us. We cannot allow these tactics to succeed,” said a senior adviser to one of the eurozone’s most powerful leaders.

Countries such as France and the Netherlands that were once sympathetic to Britain’s plea for curbs on free movement of workers would now be some of the most opposed to further concessions.

Yielding to British pressure would be a gift to anti-EU politicians that the French and Dutch leaders are trying to defeat in elections early next year. Eastern European leaders, meanwhile, appear as implacably opposed to overturning cherished free movement rights.

No wonder EU leaders want the UK to trigger the exit clause, with its two-year deadline. Once the clock is ticking, they have the whip hand in negotiations. Legally Britain is able to stop the Article 50 process at any time and decide to remain a member of the union — as long as all 27 EU countries agree.

Additional reporting by Anne-Sylvaine Chassany



Centre of attention: David Cameron arrives in Brussels yesterday. Left: his name place to mark his spot at the traditional ‘family photo’
Olivier Hoslet/EPA; Francois Lenoir/Reuters

What they say

‘I wouldn’t write us out of Europe yet. I can’t see us having another referendum. But I wouldn’t rule anything out’

TONY BLAIR, FORMER BRITISH PM

‘I can’t imagine the UK government not respecting the choice of the British people’

FRANÇOIS HOLLANDE, FRENCH PRESIDENT

Corbyn defiant after losing confidence vote

Labour leader refuses to stand down despite 172-40 majority against him and resignation of 50 MPs from top positions

JIM PICKARD
CHIEF POLITICAL CORRESPONDENT

Jeremy Corbyn refused to step down as leader of the Labour party even after an overwhelming vote of no-confidence — by 172 to 40 votes — and a wave of resignations from his front bench.

Mr Corbyn has insisted that he will not give up despite the resignations of roughly 50 MPs from senior positions as "front bench" spokespeople over three days.

Instead, the 67-year-old is now braced for a two-month leadership contest, ending in early September, which he expects to win with the support of trade unions and hardline "Corbynista" followers.

Rebels are expected to rally behind one single challenger, expected to be either Angela Eagle, former shadow business secretary, or Tom Watson, the current deputy leader.

In the autumn conference Mr Corbyn's aides intend to push through rule changes making it easier for sitting MPs to be deselected, setting the scene for a remorseless period of infighting.

Senior figures in the party now believe it is teetering on the brink of a schism that could be even more damaging than the breakaway of the SDP in the early 1980s.

"It is possible that what we will see happen is that he wins a leadership election, then have 150 MPs who refuse to stand in an election on a joint ticket with Jeremy Corbyn," said one person who resigned. "They could split off."

Support for Mr Corbyn has collapsed in Westminster partly because he has cloistered himself with hard left advisers in his offices in the Norman Shaw North building rather than adopting an inclusive "big tent" approach.

The leadership has taken on many of its own MPs on issues including the Trident nuclear deterrent and the government's decision to bomb jihadis in Syria.

At the same time there have been growing misgivings from members of the shadow cabinet — even those on the "soft left" — about the competence of "Team Corbyn".

"I could almost forgive their philosophy, it is the fact that they couldn't run a piss-up in a brewery which has been the problem," said one former shadow cabinet member.

Monday night saw a showdown between the two sides at the weekly meeting of the Parliamentary Labour party in Westminster, with figures on both sides in tears. "People were begging him to go, pleading with him," said one MP. "He would not listen."

Rebel MPs were never certain the coup would claim Mr Corbyn's scalp, given his almost "messianic" self-confidence.

The veteran MP sees himself as representing the leftwing forces that were sidelined under two decades of New Labour dominance: resigning would once again neuter his wing of the party.

After the PLP meeting, Mr Corbyn and his closest ally John McDonnell addressed a crowd of flag-waving protesters on Parliament Square.

Jeremy Corbyn is expected to see off the challenge to his leadership with the support of trade unions and his hardline followers

But many colleagues felt unable to continue with the party in such disarray. "It came to a point where we could not pretend to support him any more, it became a point of honesty," said one Labour aide.

Now New Labour faces its toughest battle since the early 1990s.

Dissident MPs have agreed to rally behind a single candidate — given that the moderate vote was fatally split four ways in last summer's leadership fight.

Yvette Cooper, former shadow home secretary, has been considering a second tilt for the post; she gave a speech in London yesterday morning.

The rules are ambiguous on whether a sitting leader automatically gets on to the ballot paper: both sides have conflicting legal advice. But the grass roots would be livid if Mr Corbyn did not take part.

Therefore the challenger must then go out to bat against Mr Corbyn in the teeth of sustained hostility from the thousands of members who elected him in the first place.

> 'It is the fact that they [Corbyn's team] couldn't run a piss-up in a brewery which has been the problem'

Labour's members still overwhelmingly believe in their leader, according to new research published today by Tim Bale, professor of politics at Queen Mary University of London.

Some 64 per cent of those who joined the party since May 2015 believe Labour is on track to win the next election — or 77 per cent of those who joined since September.

And more than half believe persistent critics of Mr Corbyn should be deselected, according to the YouGov survey.

Some union officials have been unnerved by the show of strength by the PLP and the resignations of many "soft left" MPs. Yet their leaders are still holding the line behind Mr Corbyn in his most difficult hour.

Yesterday he tried to fill the missing posts in his shadow cabinet, but it was unclear whether he would be able to replace those in more junior front bench positions: instead, it emerged, some MPs may have to fill dual roles.

Conservatives. Leadership race

Home secretary gains momentum to stop Johnson

Ferocity of referendum has tainted former London mayor in the eyes of some Tory MPs

KATE ALLEN

Ben Wallace, a 46-year-old junior Northern Ireland minister, spent yesterday pacing the corridors of the Palace of Westminster, rallying politicians to Boris Johnson's campaign.

The balding, down-to-earth MP for Wyre and Preston and a former Scots Guard platoon commander, is helping to run the former London mayor's campaign and his glad-handing and cajoling went on throughout the day.

Mr Johnson was spotted having breakfast with Sir Lynton Crosby, the Tory campaign strategist, and held one-on-one meetings to woo his prospective supporters. But those declaring support for Mr Johnson are demanding reassurance: one Boris-voting senior backbencher said he was asking Mr Johnson to promise he would bring on board some "ballast" in the form of "details men" to work alongside fellow Leave campaigner Michael Gove to ensure "effective and stable governance".

The bloodiness of the EU referendum battle has tainted Mr Johnson in the eyes of some MPs, and there is a growing "Anyone but Boris" movement. "The whole of London has turned against Boris: he has gone from hero to zero overnight," one MP said.

Yesterday Mr Johnson backtracked on his weekly newspaper column, which supported Britain's access to the European single market; aides said the column was written in haste while he was tired. "He is a showman who is about to be found out," one critical MP said, accusing Mr Johnson of having "lied to the country" during the referendum campaign.

A sense of momentum has swung behind home secretary Theresa May as Mr Johnson's leading opponent in the leadership race that will start taking nominations today and hold a first round of voting next Tuesday. The result will be announced on September 9.

Ms May briefly took the lead in the betting markets yesterday as a poll of Conservative voters found she was more popular than the former London mayor, though punters shifted back towards Mr Johnson later in the day.

A survey of 1,300 Conservative members by the Conservative Home website put Ms May just ahead on 29 per cent to Mr Johnson's 28 per cent. Both candidates have been wooing the grass roots on the constituency dinner circuit for months in preparation for the contest.

Ms May is seen by some in the party as having come out of the referendum with dignity: she backed Remain but stayed largely out of the fray, enabling her to transcend the factionalism now descending on the Conservatives. "She is a grown-up and that is what we need right now," one MP said.

But one Boris fan criticised her decision to "sit it out" in the referendum, saying: "It does not look good; it looks opportunistic."

The vicar's daughter, who represents Maidenhead, generally keeps a low profile but knows how to make the most of her occasional public interventions. A hardline immigration speech at last year's party conference provoked media criticism but won plaudits from the Tories' grass roots and boosted her opinion poll ratings.

Her tough stance on immigration and human rights is attractive to Eurosceptic MPs and appears to be splitting the Leave camp, which could deal a blow to Mr Johnson's candidacy. The chancellor George Osborne, who has vowed not to run himself, could play a vital role in swaying MPs' support, although an ally said he was unlikely to publicly back anyone.

Speaking at an event yesterday, Mr Osborne appeared to offer a fillip to Ms May's campaign when he advised MPs not to vote for someone who had played a "prominent role" in the referendum campaign.

An ally of the chancellor said it was imperative to avoid a general election, and Ms May's record in government made that more likely. "Boris Johnson has never spoken at the despatch box, he is inexperienced in Parliament — it would be harder to avoid the need for an election if he wins," he said.

Members of the new intake of Tory MPs elected in 2015 are seeking written assurances from all candidates that they will not call a snap general election, in exchange for their votes. "They feel the most important thing now is stability — not for the party but for their own careers," one MP said.

The current regime appears to be tilting towards supporting Ms May. Although Mr Cameron will remain neutral, some key aides are backing her. Additionally, MPs reported that whips were pressing them not to back Mr Johnson, but others said the individuals in question were simply longstanding friends of Ms May's.

The leading contenders can expect competition from other colleagues. Stephen Crabb, work and pensions secretary, confirmed yesterday afternoon that he would be making a leadership bid. He has backing from Sajid Javid, business secretary.

Some in the party who are seeking to block Mr Johnson's candidacy are hoping to amass enough support for Ms May to back Mr Crabb and Mr Javid as a second ticket; this would bump Mr Johnson off the list of the final two who will be voted on by party members.

Clockwise from main picture: Theresa May, Boris Johnson, Stephen Crabb and Sajid Javid
Andy Rain/EPA

Brexit briefing
Martin Wolf, the FT's chief economics commentator, on the impact of Brexit on banks, politics and the future of Britain
ft.com/video

Brussels visit

Sturgeon embarks on mission to keep Scotland's place in EU

MURE DICKIE — EDINBURGH

Nicola Sturgeon is mounting a diplomatic offensive to secure Scotland's place in the EU when she holds a meeting in Brussels with the president of the European Parliament.

The meeting today between Scotland's first minister and Martin Schulz, as well as other elected European politicians, is part of an effort to win strong cross-party backing from the Scottish parliament for the move, although it could complicate UK preparations for Brexit.

However, Donald Tusk, president of the European Commission, was reported to have declined a meeting with Ms Sturgeon. Mr Schulz played down his decision to see her, saying "regional leaders" regularly visited the parliament.

"I will say 'welcome, nice to meet you'. Then I will listen. Because Ms Sturgeon and I have never met. She asked for that meeting," he said.

Members of the Scottish parliament voted 92 to 0 yesterday to give Ms Sturgeon a mandate to hold talks with both the UK and EU authorities "to explore options for protecting Scotland's relationship with the EU [and] Scotland's place in the single market".

The motion, which also welcomed the Scots' decision to vote for Remain by 62-38 per cent in last week's UK referendum, was backed by the Scottish National party, Scottish Labour and the Liberal Democrats, with only the Conservatives abstaining.

Ms Sturgeon stressed the vote was not an endorsement of Scottish independence, but has warned that another referendum on leaving the UK was "highly likely".

She added: "I am determined, utterly determined, to protect Scotland's relationship with and place in the European Union."

Hundreds of people joined a lunchtime protest against Brexit outside the Holyrood parliament that was organised by the Scottish Greens but also attended by the SNP's Europe minister. But supporters of Scotland's place in the UK have been dismayed by the reopening of an issue they had hoped would be settled by voters' 2014 rejection of independence.

Ruth Davidson, the Scottish Conservative leader who campaigned for a Remain vote, said she supported efforts to secure access to the EU single market but could not back the SNP motion because it did not rule out independence as a response to Brexit.

Oliver Mundell, a Conservative member of the Scottish parliament who backed Leave, accused Ms Sturgeon of hiding "deliberate malice" behind a mask of good intentions. "The first minister has fast become like a runaway train defaulting back to her all too familiar mantra of independence at any cost," he said.

Nicola Sturgeon: 'I am determined, utterly determined, to protect Scotland's relationship'

The Conservatives' objections to Ms Sturgeon's intentions prompted a furious response from Kezia Dugdale, Scottish Labour leader.

The Tories had themselves put UK unity at risk by forcing the EU referendum "on a country that did not want it" merely in order to paper over internal party splits, Ms Dugdale said.

Scotland should seek ways to retain its ties with the EU and the single market, including considering the possibility of creation of a "federalised UK".

While Ms Sturgeon hopes to discuss Scotland's status directly with EU institutions and member states, it is unclear how willing some European leaders will be to engage given the already complex issues raised by UK exit.

Alyn Smith, an SNP member of the European Parliament, at least won attention for the party's agenda yesterday with an impassioned speech in which he demanded respect for Scotland's European spirit.

Ms Sturgeon also announced the initial membership of a new advisory Standing Council on Europe with members from across the political spectrum and specialists in legal, financial, business and diplomatic matters.

Among the members of the council is a former judge on the European Court of Justice and a retired head of the UK diplomatic service, as well as FT columnist John Kay.

Comment page 11

Sterling depreciation

Experts warn on hopes of export-led boost

CHRIS GILES AND GEMMA TETLOW

Economists have warned that Britain cannot rely on an export-led boost from the falling value of the pound as they cut forecasts and said the increased cost of imports could tip Britain into a recession.

In a survey of 21 economic forecasting groups following last week's referendum carried out by FocusEconomics, the consensus forecast for growth in 2017 has been slashed from 2.1 per cent when surveyed a month ago to 0.3 per cent this week.

Economists are also pessimistic about the rest of 2016, according to Olga Coscodan of FocusEconomics, with growth predictions stalling for the second half of the year. This takes full-year forecasts after the Brexit vote down to 1.4 per cent, compared with 1.9 per cent a month ago.

0.3%	61%
Consensus forecast for growth in 2017 down from 2.1%	Consumers in a poll who fear Brexit will hit personal finances

The gloomy predictions tally with evidence given to MPs at the Commons Treasury committee, where prominent economists made it clear there were good reasons to suggest that sterling had further to fall and this would not boost economic prospects much.

One potential positive for the UK is that exports could be boosted by a weaker sterling, as it would make goods and services produced in the UK cheaper to overseas buyers. But David Miles, a recent member of the Bank of England's Monetary Policy Committee, said in his evidence that the pound's reduced value would not help the UK economy offset some headwinds from tariffs and other barriers to trade once the UK was outside the EU. He cautioned he was "not terribly optimistic" that with sterling at its current level "we will see a massive rise in exports". After the 2007-08 depreciation of sterling, exports failed to rise significantly.

Stephen King, adviser to HSBC, said the falls in sterling against the US dollar — so far bringing it down to $1.34 — were in line with the bank's end-of-year forecasts of a further drop to $1.20.

He worried that sterling would remain under pressure because Britain's current account deficit required continued financing from foreigners, often in the form of foreign direct investment.

While he said it was hard to be precise about the amount of FDI that flows to the UK as a result of its membership of the EU single market, Mr King added: "I think it is reasonable to assume we cannot live with a current account deficit as big as it is currently.

"We are dependent on the kindness of strangers," he said, echoing a phrase used by Mark Carney, governor of the Bank of England, before the referendum. "That kindness is going to be in short supply."

Professor Miles said that for consumers, a lower sterling meant a "straightforward increase" in the cost of imports, "so it is a straightforward reduction in the real incomes of households". Both economists said this loss of real purchasing power could tip the UK economy into recession.

The warnings back up the findings of a survey of consumer attitudes, conducted on Saturday about 24 hours after the referendum results were known. Of the 2,000 consumers surveyed, 61 per cent thought the Brexit vote would hit their personal finances and 58 per cent said they would now hold back their discretionary spending.

This is in contrast to evidence from polling by Ipsos MORI carried out in April, which suggested that 69 per cent of respondents thought their own standard of living would be unaffected or improved if Britain left the EU.

Richard Lim, chief executive of Retail Economics, who conducted the survey, said: "With the consumer sector the driving force behind the economic recovery so far, it is difficult to see what can compensate should a more widespread slowdown materialise."

Central bank

Carney hit by Leave flak as BoE battles to steady economic ship

Target: a cardboard cut-out of Mark Carney, governor of the Bank of England, on the trading floor of ETX Capital in London — Chris Ratcliffe/Bloomberg

Repeated attacks could be dangerous in time of crisis, say commentators

CHRIS GILES — ECONOMICS EDITOR

One of Vote Leave's significant donors has repeated calls for Mark Carney to be replaced as the governor of the Bank of England in a sign that Brexiters are maintaining their feud with the BoE governor even as the central bank is fighting turmoil on the financial markets.

Just a day after Boris Johnson signalled an end to his own attacks on the governor, writing in the Daily Telegraph that Mr Carney was doing a "super job", having previously called the governor's Brexit warnings "rubbish", the rapprochement with the governor has not filtered down to Vote Leave's backers.

At a time of uncertainty and with a prime minister who has resigned, an infighting opposition and no plan for Brexit, attacks on the BoE are potentially dangerous as economists said this week the BoE was the only "fully functional" part of the British economic establishment.

Speaking on BBC radio yesterday, Tim Martin, chairman of the Wetherspoon pub chain, repeatedly called Mr Carney "stupid" and suggested the BoE would be better run if he was replaced by Roy Hodgson, the manager of the England football team, who resigned after failure at the Euro 2016 championships.

Mr Martin donated more than £200,000 to the official Vote Leave campaign in April and has been an enthusiastic supporter of Brexit.

He said market volatility following the referendum was the result of "people taking advantage of the enormous stupidity of Mark Carney, Christine Lagarde, George Osborne and others".

"I am very much in favour of a text you [the radio station] received for Roy Hodgson becoming chairman, no governor, of the Bank of England," he added.

Vote Leave has repeatedly sought to undermine trust in the BoE and Mr Carney. A week before the referendum, it published a video, viewed by over 300,000 people, entitled, "the truth about Mark Carney and Goldman Sachs — the bank that crashed the economy".

In the video, to the background of eerie music, Vote Leave suggested that Mr Carney had been a mastermind behind Greece fiddling its public finance figures as a former employee of Goldman Sachs, that the investment bank was still "pulling the strings today", and that the "last chance" for voters to stop Goldman Sachs bankers such as Mr Carney was to vote for Brexit.

> 'I am very much in favour of Roy Hodgson becoming chairman, no governor, of the Bank of England'

The video came after Jacob Rees-Mogg, a Conservative MP supporting Mr Johnson for prime minister, repeatedly called for Mr Carney's head, describing the governor's warnings of economic fallout from Brexit as "beneath the dignity of the Bank of England".

Prominent Leave supporters including Andrea Leadsom MP, a likely candidate to be chancellor, said Mr Carney betrayed the central bank's independence and "as an ex-Goldman Sachs banker Carney knew exactly what he was doing. He has encouraged financial instability and I think that absolutely damages the reputation of the Bank."

Other MPs that have threatened the BoE include Bernard Jenkin, the chairman of the Commons public administration and constitutional affairs committee. who suggested that for the future, the governor "needs to be very careful what he says".

The repeated attacks that have continued after Mr Johnson called a truce are dangerous, according to John Llewellyn, former chief economist of the Paris-based OECD group of mainly rich nations.

Writing about the febrile UK economic situation, he said: "Only the BoE remains fully functional — it has the tools to ensure financial solvency, but not economic activity."

In his column for the Telegraph, Mr Johnson said "the economy is in good hands. Most sensible people can see that Bank of England governor Mark Carney has done a superb job — and now that the referendum is over, he will be able to continue his work without being in the political firing-line."

The BoE has been wounded by the constant criticism of the Leave campaign. But a spokesperson said: "The governor and the bank are focused on ensuring price and financial stability and will continue to deliver its mandate give to us by parliament."

It is difficult for a central bank governor to survive when prominent MPs are calling for resignations. In India, a campaign by an MP of the governing BJP party, saw the resignation of Raghuram Rajan earlier this month.

Credit rating

Turmoil risks further downgrades, says S&P

GEMMA TETLOW — LONDON

Britain is now less credit worthy than Belgium, a country that has government debt of more than 100 per cent of national income and which has repeatedly struggled to boost its competitiveness.

That was this week's verdict from Standard & Poor's Global Ratings, which cut its classification for the UK and said the "lack of clarity" from policymakers and the looming constitutional crisis in Scotland after the Brexit vote could lead to further downgrades.

S&P's announcement was accompanied by a similar cut from Fitch, one of the other two big agencies, and follows Moody's assessment of the UK outlook on Friday as negative, down from stable.

Fitch and S&P said the vote to leave the EU would cause an abrupt short-term economic slowdown and be likely to lead to permanently weaker growth as Britain loses its favourable access to the European market, experiences lower rates of immigration and suffers a fall in foreign investment. All these factors will weaken the public finances.

A weaker economic outlook is not the agencies' sole concern. They are also worried about the lack of clear post-Brexit plans from the UK government and the crisis within the opposition Labour party.

"The outcome of the referendum has precipitated political upheaval . . . contributing to heightened uncertainty over government economic policies and diminished scope for policy implementation," said Fitch.

The UK has for a long time had a high current account deficit and relatively high levels of government debt. These are factors that tend to raise concerns among investors. S&P had been positive about the ability of British institutions to handle these pressures but said on Monday it no longer believed the UK government and its policymaking bodies were strong. The only exception is the Bank of England.

"There is no plan," said Ravi Bhatia, director of sovereign ratings at S&P.

The agency had previously viewed the UK as triple A, alongside Germany, the Netherlands, Canada and Australia, but with a negative rather than stable outlook. It now ranks alongside France, a country where persistent slow growth and a stubborn budget deficit have triggered investor concerns, with a double A rating and a negative outlook. Furthermore, it now ranks below Belgium, which also has a double A rating but a stable outlook.

S&P ratings

Australia	AAA (outlook stable)
Canada	AAA (stable)
Germany	AAA (stable)
Norway	AAA (stable)
Switzerland	AAA (stable)
US	AA+ (stable)
UK	AA (negative)
France	AA (negative)
Spain	BBB+ (stable)
Italy	BBB- (stable)

S&P and Fitch both say the outlook for the UK is negative, with further downgrades possible. Mr Bhatia added this was tied to "multiple risks", which was unusual. "Quite often negative scenarios see only one risk, such as just a fiscal concern," he said.

The BoE is seen as the one powerful weapon in the UK's arsenal. "We view the UK's monetary and exchange rate flexibility as a key credit strength," said S&P, after Mark Carney, the BoE governor, reassured markets on Friday that the central bank would do whatever necessary to ensure stability.

However, even that has come under threat in recent days as supporters of the Leave campaign renewed their criticisms of Mr Carney's role in the run-up to the referendum.

Jason Simpson, a UK rates strategist at Société Générale, said the announcements by the rating agencies would not immediately affect investor behaviour because investors were already aware of the reasons behind the downgrades.

Domestic investors, like pension funds, would still want to hold UK gilts, he added, but the appetite of overseas investors was likely to diminish and might not come back to the market "until clarity returns".

Editorial Comment page 10

INTERNATIONAL

Financial resilience

Brexit sparks US fears over EU regulation

Senator warns on return of patchwork approach but CFTC chief unruffled

BARNEY JOPSON AND SAM FLEMING — WASHINGTON
PHILIP STAFFORD — LONDON

The Brexit vote has cast doubt over US-EU initiatives to harmonise transatlantic regulation with a senior Democrat and potential vice-presidential candidate warning against a return to a "patchwork" of global rules.

Moves to co-ordinate rules and supervision have been central to boosting global financial resilience after the 2008-09 crisis. But the prospect of the UK leaving the EU has triggered worries in Washington that Britain and the rest of Europe will split on to divergent paths.

Sherrod Brown, a senator who has been mooted as a running mate for Hillary Clinton, told the Financial Times: "The economic uncertainty around the world provides yet another reminder of the importance of a strong and resilient financial sector in the United States and abroad.

"We cannot afford to go back to the pre-crisis patchwork of rules that enabled financial institutions like AIG to skirt oversight and often pitted regulators against each other in a race to the bottom," added Mr Brown, the top Democrat on the Senate banking committee.

US officials have seen the UK as a like-minded force in debates on financial regulation and used it as a conduit to ensure Washington's views are heard in EU discussions. That role was exemplified by Jonathan Hill, Britain's EU commissioner in charge of financial services, whose resignation over the weekend sparked anxiety in Washington.

The unprecedented harmonisation of transatlantic rules and practices since the last crisis has spanned the financial sector, including bank capital standards, liquidity requirements, derivatives trading, clearing houses and the winding up of failing institutions.

Heath Tarbert, a partner at the Washington office of the law firm Allen & Overy, said: "We have viewed Britain as being helpful in convincing other European countries of certain ways of looking at things, so no longer having Britain at the EU table to advocate for positions of mutual interest is a definite downside of Brexit."

One US fear is that in the UK's absence a free market ethos will fade as Franco-German interests dominate the European rulemaking process.

Another is that if the terms of the UK's exit erase the City of London's right to serve EU clients, then British policymakers could shift to a more lax regulatory regime to persuade at least some businesses to stay.

Dennis Kelleher of Better Markets, an influential advocate of tough regulation in Democratic circles, said: "For those of us who worry about financial reform, crashes and bailouts, having seen the UK already move away from sensible regulation to lighter touch regulation there is a concern that it will move from light touch to no touch to keep global banks from leaving."

But Tim Massad, chairman of the Commodity Futures Trading Commission, the US derivatives regulator, sought to calm fears of regulatory harmonisation going into reverse.

"I've been dealing with [Bank of England] governor [Mark] Carney and deputy governor [Jon] Cunliffe and the leadership of the Financial Conduct Authority and I think they're all very committed to these reforms, so no, I'm not worried about that," he said.

Mr Massad noted that many key post-crisis reforms came not from the US-EU relationship but were agreed at a higher level by the powerful G20 group of nations. They have often been fleshed out by the Basel Committee and the Basel-based Financial Stability Board, which exist apart from the EU.

"I would simply say that in terms of the work we've been doing with Europe, including the UK, on derivatives regulation in particular and [central counterparty] resilience and recovery, I would expect us to continue on the same path," he said.

Sean Tuffy, head of regulatory intelligence at Brown Brothers Harriman in Dublin, said the prospect of the UK leading a "race to the bottom" with permissive regulation was highly unlikely.

Consulate deaths

Report blames red tape for slow response to attack in Benghazi

GEOFF DYER — WASHINGTON

A report by House Republicans into the 2012 attack on the US consulate in Benghazi blamed bureaucratic delays for holding up an effort to help the four Americans who died but did not find new evidence of mistakes or wrongdoing by Hillary Clinton, then the secretary of state.

The 800-page report criticises the Pentagon, the Central Intelligence Agency and the state department for underestimating the risks that the consulate in Benghazi in Libya faced and for not being able to respond more quickly to the initial reports that the facility was under attack.

However, the report by the House select committee on Benghazi also concluded that the US military in the region would not have been able to save the four Americans, who included the ambassador to Libya, Christopher Stephens, even if it had responded more quickly.

Coming just weeks before the 2012 elections, the attack on the Benghazi consulate has become one of the most controversial and investigated incidents in recent history. Republicans have accused the Obama administration of covering up the real nature of the events in Benghazi and have also used it to criticise Mrs Clinton, now the Democratic presumptive nominee.

The report is the product of a partisan and fiercely contested special committee to look into the attack, which Democrats have contested was an expensive political stunt to damage Mrs Clinton.

In a sign of the political furore around the Benghazi attack, two Republican members of the committee wrote an addendum to the majority report which contained harsher criticism of the Obama administration.

Trey Gowdy, the Republican chair of the committee, defended the report, saying it was about "a series of heroic acts by our fellow Americans and what we can do to prevent the next". He added: "Yes, Hillary Clinton was the secretary of state at the time. I can't get around that fact. But the focus of this report is on exactly what the families asked us to focus on."

The report provides new detail and colour on the events surrounding the attack. One of its most closely watched conclusions is about allegations that the US military could have saved some of the men caught in the attack had their mission not been held up by delays and political interference in Washington.

The report concludes that there were delays in carrying out an order to send forces to Benghazi, but that they would not have arrived in time. "The assets ultimately deployed by the Defense Department in response to the Benghazi attacks were not positioned to arrive before the final lethal attack," the report says. "The fact that this is true does not mitigate the question of why the world's most powerful military was not positioned to respond."

The report highlights a teleconference held by the White House immediately after the attack which it says helped cause the delays in getting a military response to the site.

The Clinton campaign said the committee report had been a waste of money and time. "After more than two years and more than $7m in taxpayer funds, the committee report has not found anything to contradict the conclusions of the multiple, earlier investigations," the campaign said.

Supreme Court. Abortion ruling

Trump struggles to speak fluently for the pro-life cause

COURTNEY WEAVER — WASHINGTON

After the Supreme Court struck down parts of a Texas law on abortion restrictions on Monday, Hillary Clinton took to Twitter to declare the ruling a "victory for women in Texas and across America".

Mrs Clinton said: "Today's decision is a reminder of how much is at stake in this election. We need a president who will defend women's health and rights and appoint Supreme Court justices who recognise Roe v Wade as settled law."

On the left, she was joined by a chorus of pro-choice voices, while on the right leading Republicans, including Reince Priebus, chairman of the Republican National Committee, condemned the ruling. "[Monday's] disappointing decision is another reminder of what's at stake in this election and why we can't afford to let Hillary Clinton win," he said.

Yet through all the cacophony there was one voice that was noticeably absent: Donald Trump's.

In the 24 hours after the Supreme Court's landmark ruling — one of the most groundbreaking abortion decisions by the Court since Roe v Wade legalised abortions in the US 40 years ago — Mr Trump released no public statements on the decision. He did not comment on it on Twitter, an odd stance for any leading Republican let alone the party's presumptive nominee.

His silence is a measure of how the US political landscape has changed this election cycle with Mr Trump's rise. It underscores how many evangelical Republicans find themselves in the uncomfortable position of rallying behind a candidate who does not share their views on some social issues that have long been a bedrock of the Republican party platform.

For more than 30 years, abortion has been one of the most divisive issues in US politics. It has been used by Republicans to win over working-class Catholics in big industrial states and by moderate Democrats such as Bill Clinton to draw professional women from wealthy suburbs into their column. Mr Trump's response, or lack of one, suggests that for at least this election cycle, this could be changing.

"One of the reasons so many conservatives are terrified of Trump is that he is shifting the GOP away from emphasis on a couple of their standard social issues — abortion and gay rights," said Larry Sabato, head of the University of Virginia's Center for Politics.

"It's obvious that Trump is the most pro-gay Republican nominee ever — not that it would take much to achieve that distinction. But the real surprise is on abortion. Given his lifestyle over many decades and his severe problems attracting women voters, Trump is uncomfortable with the issue, doesn't consider it a priority, and is trying to substitute other matters like immigration and tutelage from Christian leaders to entice evangelicals his way."

Pro-choice supporters celebrate outside the Supreme Court in Washington yesterday after the ruling against a Texas law that imposed restrictions on abortion clinics — Michael Reynolds/EPA

In its ruling, the Supreme Court found parts of a 2013 Texas abortion placed an "undue burden" on abortion clinics in the state by requiring all of them to have the same standards of ambulatory surgical centres, and requiring all doctors performing abortion procedures to have admitting privileges at nearby hospitals.

For members of both the pro-life and pro-choice movements, the decision has emphasised the importance of the November election in terms of shaping the future direction of the Supreme Court. Mr Priebus said: "The next president will likely appoint multiple justices to the Supreme Court that could determine its course for decades to come."

Yet some pro-life activists see Mr Trump as a complicated figurehead for their movement.

Once pro-choice, Mr Trump says he has changed positions in recent years, supports the pro-life movement, and would appoint pro-life justices to the Supreme Court. Yet he has struggled to speak fluently for the pro-life cause.

Earlier this year, Mr Trump was forced to backtrack after suggesting that women should be held criminally liable for having abortions, a position few in the pro-life movement advocate.

Kristan Hawkins, president of Students For Life of America, said Mr Trump's initial silence on the Supreme Court decision gave the impression he was a novice to the pro-life movement.

"It's pretty disappointing," she added. "Did the advisers not tell him? Was he not on Twitter all-day yesterday? It was the number-two news story."

Joe Scheidler, national director of the Pro-Life Action League, said Mr Trump may have chosen to stay silent for fear of once again putting his foot in his mouth. "He might actually be looking into saying the right thing," he said.

Yet he noted that ultimately members of the pro-life movement would have to align themselves with Mr Trump, given Mrs Clinton's more outspoken pro-gay marriage and pro-choice positions.

"I think people who are very, very reluctant to vote for Trump are going to have to grit their teeth and do it," he said. "I don't want to vote for Trump but we can't have Hillary. We just can't."

Far-right attacks

Germany suffers increase in extremist crime

STEFAN WAGSTYL — BERLIN

Political extremism and violence is rising in Germany, notably among far-right radicals, the government has warned in a hard-hitting report that will increase calls for more security and investment to help integrate migrants.

"The domestic security agency is observing not only growing membership [of extremist groupings] but also an increasing tendency to turn to violence and brutality," interior minister Thomas de Maizière said yesterday.

His report comes amid mounting public concern about far-right attacks on refugee accommodation and about possible Islamist extremism and terrorism. The document also notes a sharp increase in leftwing violence, including against the police and public buildings. Mr de Maizière warned: "Extremist circles — of all orientations — are popular in Germany."

In 2015, the authorities recorded 38,981 politically-motivated crimes (up from 32,700 in 2014) of which around three-quarters — 29,681 — were attributed to extremists.

The offences range from attempted murder to threatening behaviour and even disturbing the peace of the dead (by damaging graves). More than half are propaganda crimes, such as distributing offensive leaflets. Personal assaults are significant, as are arson attacks on refugee accommodation.

Rightwingers were held responsible for the great majority of the offences — 21,933 compared with 16,559 a year earlier. Leftwing extremist crimes also rose, to 5,620 from 4,424. Meanwhile politically-motivated crimes believed to have been committed by foreigners — including Islamists — fell from 2,104 to 1,524. Still, Mr de Maizière warned of the dangers posed by German Islamists returning from war-torn Syria and Iraq.

38,981	21,933
Crimes politically motivated last year, up from 32,700 in 2014	Number of those crimes the report says were by rightwingers

Having experienced "the worst violence", these people were "in the best case disillusioned and in the worst case very radicalised", he said. Such people required security monitoring as well as help when they wanted to be reintegrated into German society.

The report notes an increase in ultra-conservative Salafists in Germany from 5,500 in 2013 to 8,350 last year, with about another 500 radicals from other Islamist groupings.

The authors say that following Isis's involvement in the Paris terror attacks, it is to be assumed that the organisation is pursuing plans for other attacks in Europe, including Germany.

Monetary policy

Draghi urges central banks to align policy aims

CLAIRE JONES — SINTRA

Mario Draghi has called on economic officials from around the world to join forces and align their policymaking decisions, saying a shift towards a more global view would prevent some of the worst side effects of aggressive monetary easing by central banks.

Monetary policymakers across several advanced economies have deployed record-low interest rates and large-scale bond buying, a process known as quantitative easing, to raise inflation and growth in the aftermath of the global financial crisis.

However, the actions of central banks such as the European Central Bank and the US Federal Reserve drew criticism from economic officials elsewhere, who say cheap and plentiful supplies of central bank cash have led to financial instability and triggered sharp appreciations in emerging market currencies.

The ECB president, in Sintra, Portugal, yesterday for his central bank's annual flagship conference, acknowledged these criticisms. Policymakers such as himself, he said, had to think "about the global composition that can maximise the effects of monetary policy so that our respective mandates can best be delivered without overburdening further monetary policy, and so as to limit any destabilising spillovers".

Raghuram Rajan, the outgoing governor of the Reserve Bank of India, has been among the most vocal critics of the policies of central banks such as the US Fed, and has called for a global central bank to prevent the policies of major advanced economies damaging emerging markets.

Mr Draghi stopped short of calling for wholly co-ordinated action, saying that central banks had to fulfil domestic mandates and be accountable to their own parliaments.

However, he acknowledged that low global inflation meant central bankers had to respond more aggressively than in the past — and that the impact of such aggressive action spilled over borders.

"The upshot is that, in a globalised world, the global policy mix matters — and will likely matter more as our economies become more integrated," the ECB president said. "So we have to think not just about whether our domestic monetary policies are appropriate, but whether they are properly aligned across jurisdictions."

The ECB president said organisations such as the Group of 20 could be used to assist in this alignment. Doing so, he said, would make central banks' actions more effective.

While monetary policy could always achieve its objective of raising inflation eventually, "it will do so faster, and with less collateral effects, if the overall policy mix is consistent".

INTERNATIONAL

Ankara rapprochement

Turkey seeks new friends and fewer enemies

More pragmatic outlook seen as positive step in region hit by instability

LAURA PITEL — ISTANBUL

When Binali Yildirim, Turkey's new prime minister, recently declared Ankara wanted to increase its friends and reduce the number of its enemies few observers expected things to unfold as rapidly as they have.

In a flurry of announcements, Turkey this week cemented a deal to restore diplomatic ties with Israel after a five-year freeze, and offered an olive branch to Moscow with an apology for the downing of a Russian fighter jet over the Syrian border. The sudden rapprochement suggests that Recep Tayyip Erdogan, Turkey's president, is adopting a more conciliatory approach to foreign policy after an ill-fated period that was characterised by isolation and tensions with former allies. A return to a more pragmatic philosophy for the Nato member and regional power, which straddles Europe and the Middle East, would be a rare positive step in a region marred by instability — and one welcomed by diplomats and investors.

Under the rule of Mr Erdogan, the nation's dominant figure for more than a decade, Ankara's guiding principle had traditionally been "zero problems with neighbours". But the wave of uprisings across the Middle East during the 2011 Arab Spring encouraged a more ideological approach from Mr Erdogan and his Islamist-rooted Justice and Development party [AKP]. This was based in part in the belief Sunni Islamist movements would rise to power.

But five years on with the Middle East blighted by conflicts and instability, Ankara is pressing the reset button, analysts say. "The former paradigm of an ideologically driven foreign policy has failed miserably," said Sinan Ulgen, chairman of Istanbul's Centre for Economics and Foreign Policy Studies.

"It has taken Turkey a number of years to make that assessment and then to recover from it."

While Mr Yildirim announced the changes, the cogs were in motion before the former transport minister and Erdogan loyalist took office last month, driven by security, political and economic challenges. There was also the realisation that the previous approach delivered few results, with the country fighting too many fires with too few allies, analysts say.

The mainly Kurdish south-east of Turkey has been plunged back into violence with the resurgence of a 30-year battle between the state and the outlawed Kurdistan Workers' party (PKK).

'Turkey was left alone and isolated in a hostile Middle East. It needed to find new allies'

That conflict, with Russia's military intervention to back Syrian President Bashar al-Assad, has forced Ankara to take stock of its aims in regards to the war in Syria. "It comes from a realisation that Turkey was left alone and isolated in a hostile Middle East," said Mensur Akgun, director of the Global Political Trends Center at Istanbul Kultur University. "It needed to find new allies both in the region and also abroad."

Aaron Stein, a senior fellow at the Atlantic Council, said Russian involvement in Syria has "completely changed Turkey's strategic position" towards that crisis. But he did caution that Turkey would not suddenly lift its insistence on the removal of Mr Assad but was instead "recalibrating its efforts".

Losses by Turkish-backed Syrian rebels set against gains by US-backed Kurdish forces in Syria, as well as fears that Russia could back Kurdish factions linked to the PKK to destabilise Turkey, have also forced Ankara to reassess.

Economic factors are also at play. Suicide bombings in Turkey and the dispute with Moscow over the downing of the Russian warplane over the Syrian border in November have battered tourism. Official figures released on yesterday revealed a 35 per cent fall year-on-year in visitors last month.

Mr Erdogan was due to speak by phone with Vladimir Putin, his Russian counterpart, today for the first time since their falling-out last year, their spokesman said. By easing the pressure on some of Turkey's challenges, Mr Erdogan could also create more space to pursue his central ambition for the months ahead — amending the constitution to create an executive presidency.

Akin Unver, an assistant professor of international relations at Kadir Has University, said: "All foreign policy shifts have domestic-electoral angles. President Erdogan has fully prioritised a constitutional shift into an executive presidency and to that end, he wants to make sure that he is unburdened by foreign crises to focus on internal issues."

Market volatility

S Korea plans $17bn stimulus as president warns on jobs and growth

SONG JUNG-A — SEOUL

South Korea is planning a Won20tn ($17bn) stimulus package including a Won10tn supplementary budget to boost sluggish economic growth and cushion risks from the UK's decision to leave the EU.

The government has faced growing calls for stimulus measures, with the corporate restructuring in the shipbuilding and shipping industries expected to spark many lay-offs and the outcome of the referendum increasing market volatility this week.

"Unrest in global financial markets has been growing from Brexit," President Park Geun-hye told economic officials and legislators yesterday. "Uncertainties over the Chinese economy and geopolitical risks from North Korea are still pressuring our economy."

She added "The economic situation inside and outside our country is more serious than ever.

"If we do not take extraordinary measures there are concerns growth and employment will contract in the second half of the year."

Seoul's finance ministry cut its growth forecast for this year to 2.8 per cent from its December forecast of 3.1 per cent. It also reduced its projections for inflation from 1.5 per cent to 1.1 per cent — compared with the Bank of Korea's target of 2 per cent.

The country's economic growth fell by nearly half to 0.5 per cent in the first quarter as exports dropped amid waning global trade and the decline in commodity prices, while domestic consumption has been held back by high household debt.

The country's exports, which account

'The economic situation inside and outside our country is more serious than ever'

for about half of South Korea's $1.38tn gross domestic product, fell for a 17th consecutive month in May.

The government forecasts a 4.7 per cent decline this year compared with the figure for 2015.

Seoul expects the stimulus package to boost GDP growth this year by 0.2-0.3 percentage points. It includes measures to spur domestic consumption such as tax benefits for replacing older diesel cars and rebates on purchasing home appliances.

Kwon Young-sun, an economist at Nomura, said that while the Won10tn extra budget plan fell short of market expectations of Won15tn, the stimulus package should boost domestic consumption and the job market.

However, he still expected the country's economic growth to slow to 2.2 per cent this year from 2.6 per cent in 2015 because of flagging exports and weak business investment amid the Brexit fallout.

Mr Kwon said he expected the Bank of Korea to make two more 25-basis-point interest rate cuts this year to 0.75 per cent, after cutting it to a record low of 1.25 per cent this month.

The government has said it will have spent almost 60 per cent of the 2016 budget in the first half of the year.

Buoyed by the stimulus plans, South Korean shares rebounded yesterday, with the Kospi benchmark index up 0.5 per cent and the Korean won gaining 0.8 per cent against the dollar.

South America. Security operation

Brazil on alert for Olympics terror threat

Authorities warn laid-back nationals about need for vigilance to prevent attack

JOE LEAHY — RIO DE JANEIRO

The people of Brazil are fond of remarking that their country is free of war, terrorism, earthquakes and hurricanes — so laid back that even nature respects its pacifist ways.

But their relaxed attitude to external threats — the country's last overseas conflict was a reluctant participation in the second world war — is alarming the country's authorities, who are concerned that this year's Olympic Games could attract not only the world's leading athletes to Rio de Janeiro but its terrorists too.

"People really don't have this awareness because we have never had a terrorist attack in Brazil," said Admiral Ademir Sobrinho, chairman of the joint chiefs of staff of the Brazilian armed forces.

"For this reason, we are training people, principally those who will deal directly with foreigners in Brazil, in how to detect signs of suspicious activity."

With the games little more than a month away, Brazil is facing challenges ranging from a financial crisis affecting

'We are training people . . . in how to detect signs of suspicious activity'
Admiral Ademir Sobrinho

the Rio state government and the spread of the mosquito-borne Zika virus to unfinished infrastructure projects, such as an important metro link.


Brazilian police attend security training conducted by French police in Rio's Maracanã stadium — Ricardo Moraes/Reuters

Concerns over security in Rio usually focus on the city's crime rate. But while this remains high, the murder rate has fallen to a third of the level of 20 years ago and stood at 18.5 per 100,000 inhabitants last year — a rate similar to Miami's. Policing of ordinary criminal activity also promises to be tight.

Terrorism is therefore likely to be the greatest security threat posed by the games. The city's chaotic geography, where slums known as favelas are clustered on steep hills overlooking middle-class neighbourhoods, adds to the complexity of the problem. The favelas are often run by drug gangs with ample access to assault weapons brought in from neighbouring countries that are centres of the narcotics trade.

While there is no evidence that drug gangs would work with terrorists, they have already shown what their weapons can do — a police helicopter was shot down in a gunfight in the favelas in 2009.

"Clearly, any country that is going to host the Olympics, just by the history of the games, will transform itself into a potential terrorist target," said Arthur Maia, a member of Brazil's Congress and the author of its first terrorism law, passed earlier this year.

While intelligence agencies had not indicated a specific threat during the drafting of the law, he said, Brazil's lawless border with Paraguay and Argentina was known to federal police as a haven for some of those involved in financing terrorism.

Abin, Brazil's intelligence agency, has also said there are no specific threats to the country. But it recently warned Isis militants were attempting to recruit Brazilians, making contact in Portuguese through Telegram, the mobile phone messaging app.

The agency also warned in April that it had confirmed the authenticity of a threat last year by Maxime Hauchard, a French terror suspect alleged to have been among the executioners of 14 soldiers and a US aid worker in Syria, who said Brazil would be the "next target".

Last November's terror attack on Paris and the assault on an Orlando nightclub earlier this month showed the risk of terrorism was increasing, it said, adding: "The rise of attacks in foreign countries and the increase in the number of adherents to the Islamic State inside and outside Brazil are reasons [for this conclusion]."

Sidney Levy, chief executive of the Rio Olympics Organising Committee, said the financial problems facing Rio's state government would not affect security at the games. Responding to a warning from the acting Rio governor that the Olympics could be a "big failure" and police patrols might be suspended for lack of funds, Mr Levy said the governor was "trying to get the best for Rio".

He added in an interview with the Financial Times: "The games are a big stage, so it is used by people to ask for things, to claim things, to protest, to defend, attack. He is using the Olympic platform to get funds to run the state."

Brazil will not be left to face the problem alone. The Olympics will also be an international event for the world's intelligence agencies, with Raul Jungmann, Brazil's defence minister, saying last week that counterterror experts from 113 organisations, under Abin's supervision, would be in Rio during the games.

Brazil has also been working with the US and other countries on anti-terror strategies since the run-up to the 2014 football World Cup.

The country expects about 700,000 tourists from 209 nations at the Olympics and Paralympics, as well as 12,000 athletes and 30,000 journalists. Up to 200,000 of the tourists and several hundred athletes are expected to come from the US, and are seen by authorities as among prime targets for global jihadis.

To protect them, the armed forces will field 38,000 troops while the police and other paramilitary forces will supply tens of thousands more personnel.

They will deploy resources ranging from frontline response units to tackle any attack, to troops guarding major roads, said Adm Sobrinho.

"Lone wolf" attacks, such as the Orlando assault, remained one of the greatest threats, he said, creating a need to school people on how to recognise such people.

"We are working with taxi drivers and hotel workers, bars, restaurants, shopping centres, airports and bus stations so that these people can have a perception of the risk and inform us," he added.

Election aftermath. Party soul-searching

Unidos Podemos puts on a brave face after failing to make Spain smile

TOBIAS BUCK — MADRID

Spain's far-left Unidos Podemos party made a simple yet enticing pledge in the campaign leading up to Sunday's general election. It promised to make the country "smile" again.

The theme was repeated in videos, tweets and on posters. No speech was complete without an upbeat reference to the official party slogan, "the smile of a country". But when the voting was done and the result became clear, there was not a happy face in sight.

Unidos Podemos (United We Can) was the big loser of Spain's general election, shedding more than 1m votes since the last ballot in December. Worse still, the alliance failed to achieve its overarching strategic objective — to replace the centre-left Socialists as the dominant political force on the Spanish left.

Party leader Pablo Iglesias — a leading voice of Europe's new anti-establishment left — made no secret of his disappointment. But on Spanish television yesterday, he was at pains to remind viewers of the group's achievements.

Mr Iglesias pointed out that Unidos Podemos won more than 20 per cent of the vote, that its allies still controlled city halls in Madrid and Barcelona, and that the party won the lion's share of the youth vote. "We represent the future. Sooner or later, Unidos Podemos will govern this country," he said.

Sceptics argue the June 26 poll was probably the party's best chance to win hegemony on the left and lead a broad leftwing coalition into government. That, indeed, was the whole point of last month's decision to bring together Mr Iglesias's anti-austerity Podemos party with the smaller Izquierda Unida, or United Left. Poll after poll showed the joint electoral list on course to eclipse the Socialists. On election night, triumph seemed imminent, with exit polls showing Unidos Podemos could win up to 95 seats in the 350-seat parliament — and an overall majority for a coalition government with the Socialists.

In the end, Unidos Podemos won just 71 seats, significantly fewer than the Socialists. "The party has to face the reality that with its current discourse it has reached a ceiling," said José Fernández-Albertos, a political scientist at Spain's CSIC research centre and the author of a recent book about Podemos.

"One of the reasons for the recent success of Podemos was that the party managed to mobilise non-voters who were otherwise little engaged in politics. But that support seems to have been lost, and it will be very hard to regain. An important part of its support turned out to be ephemeral," he added.

Unidos Podemos leaders say they are not sure what prompted the drop-off and why pollsters failed to detect it. Some blamed the "campaign of fear" that was allegedly waged by Spain's mainstream parties against the new left. Others pointed to Britain's shock decision to leave the EU just two days before the election. With stock markets plunging and economic fears sharply on the rise, some leftwing voters may have decided at the last minute to back more conservative options, or to stay at home.


Party leader Pablo Iglesias: 'Sooner or later, we will govern this country'

"The result is not good for us and it is not good for the country," said Clara Alonso, the Izquierda Unida campaign chief. "It seems that the campaign of fear that was launched by the right — and that was supported by the Socialists — worked against us. That mobilised their vote while on our side there seems to have been a certain voter fatigue."

The shock Brexit vote, she added, played "right into the electoral strategy of the right" but was unlikely to have been a "determining" factor on Sunday.

Looking ahead, the biggest challenge for Unidos Podemos might well lie in preserving the first half of the party name. The alliance campaigned effectively, but party unity is far from assured. Even before the merger, Podemos was made up of distinct — and occasionally disparate — ideological and geographic streams. The addition of Izquierda Unida, which incorporates Spain's Communist party, has added another layer of complexity and a fresh source of potential strife.

Perhaps the most important schism concerns the overall direction of Unidos Podemos — whether it should strive to win voters across the political spectrum or focus more on mobilising its ideological base. It is a question that has been bubbling away since Podemos was founded just over two years ago, but that has grown more heated since Sunday.

"Should it fortify its position on the left and hope for the revolution to come or should it move to the centre and moderate its message?" asked Mr Fernández-Albertos. "That decision is likely to create a big divide in the months and years ahead."

FT BIG READ. ENERGY

Amid pressure to develop renewables, Big Oil has a choice: diversify or stick to fossil fuels. Some European companies are adapting, but Exxon and other majors see traditional markets as where the money is.

By Ed Crooks and Kiran Stacey

From black to green

In 2014 Joe Mocniak joined a growing number of his neighbours in the New York suburb of Massapequa and had solar panels fitted to the roof of his house. He is one of more than 1m American homeowners and businesses that have installed the panels, encouraged by tax breaks and falling costs.

Mr Mocniak has gone solar to provide back-up power in a blackout, and to cut his electricity bills in half. Helping the environment was an incidental benefit.

"The greenness of it offsets some of my gas-guzzling vehicles," he says.

He did not know it, but the same company could be behind both the panels on his roof and the fuel in his tank. The panels are made by SunPower, a US solar company that is controlled by one of the world's largest oil groups, Total of France. It took a majority stake in SunPower in 2011 for about $1.4bn, making the biggest bet on renewable energy by any of the large oil and gas companies.

The move was one answer to the growing threat that many analysts, investors and executives now see facing the oil and gas industry: the prospect of a long-term transition away from fossil fuels and towards renewable energy.

Total has been more enthusiastic about embracing that shift than many of its peers. Along with the other large international oil companies, including

> 'People say we should be in renewable energy. Investors on Wall Street like the idea of companies sticking to what they're good at'

ExxonMobil, Royal Dutch Shell, Chevron and BP, it is facing a critical choice. Do they diversify into wind and solar power to compete in a world of tightening curbs on greenhouse gas emissions and increasingly competitive renewable energy and storage? Or do they stick to oil and gas, knowing the world will continue to need fossil fuels for decades to come? Their decisions will shape the future of the industry, of energy supplies and of the climate.

Lord Browne, the former chief executive of BP who took it into renewable energy and launched the "beyond petroleum" marketing campaign, says the oil industry should learn from the fate of the US coal companies driven into bankruptcy.

"Great companies do go into difficult times when they have a product that people don't want," he says. "If society is saying it is time to change the mix, I do think the big oils should be involved in the change."

The Paris climate talks late last year showed a global consensus on the need to curb greenhouse gas emissions from fossil fuel use. Meanwhile, renewable energy has become more competitive as its cost has plummeted. In emerging economies such as Mexico, India, South Africa and the United Arab Emirates, which are driving the bulk of the growth in energy demand, wind and solar power developers are increasingly winning contracts without subsidies.

Value destruction

The short-term crisis for oil companies has been the slump in crude prices over the past couple of years, triggered by the US shale boom. In the longer term, the more fundamental challenge is a potential move away from oil that would hold down prices indefinitely.

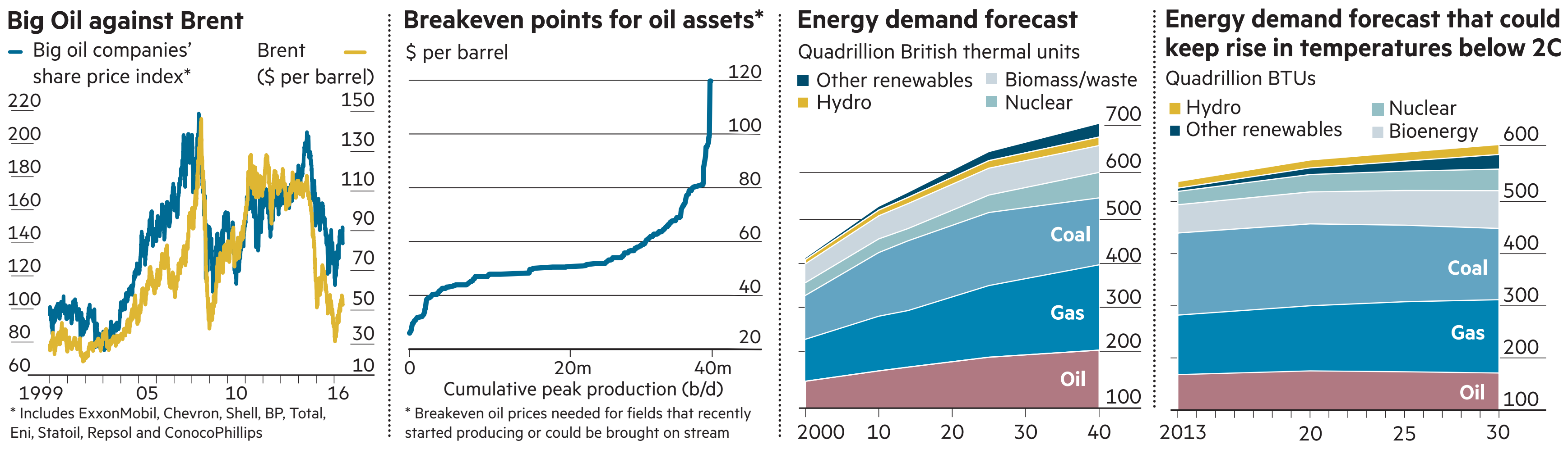
Paul Spedding of the Climate Tracker Initiative, a think-tank that works on the financial risks of climate change, says investors can face large losses when companies invest in "stranded assets" that cannot be developed at a profit.

"That is the real risk climate change poses for the industry: over-investment, followed by oversupply, followed by value destruction via price," he says.

At least in their rhetoric, there is a divide between US and European companies in their stance on climate change. BP, Shell, Total and Statoil of Norway signed a statement before the Paris talks saying they were "committed to playing our part" in keeping the rise in global temperatures below the internationally agreed limit of 2C.

The largest American oil groups, however, were not on that list. "We thought that Exxon and Chevron might sign up to things like this, but then do very little about it," says one executive at a major European oil company. "But they haven't even done that."

The US companies do not deny that global warming is a threat. "We know the risks of climate change are real, and



FT graphic Sources: Thomson Reuters Datastream; ExxonMobil; Goldman Sachs; IEA

While renewable sources such as solar power (right) are becoming profitable, some oil majors hope that growth in energy demand will keep the market for oil and gas (left) buoyant — Brittany Sowacke/Bloomberg

governments will and should take reasonable steps to address those risks," says Bill Colton, vice-president of corporate strategic planning at Exxon. But he adds, "each government is limited in what it can do, and they might not go as far as some people would like".

That means Exxon expects demand for fossil fuels can continue to grow. It projects that total world energy demand will grow by about 25 per cent in the next 25 years, compared to 59 per cent growth in the past 25, in part because climate policies will drive increased energy efficiency.

Even though overall energy demand growth is slowing, oil use can rise by 19 per cent by 2040 and gas use by 51 per cent. Not much sign of a disappearing market there.

Although renewables such as wind and solar are growing very fast, Exxon still thinks that by 2040, excluding hydro power, they will provide just 4 per cent of the world's energy.

And while renewables might be a good business, Mr Colton says, they are not for Exxon, at least not now. Exxon is researching new energy technologies, including biofuels from genetically modified algae, but that is a long-range project. For the foreseeable future, it plans to stay focused on oil and gas.

"People sometimes say we should be in renewable energy. It's like asking why GM isn't in the aircraft business," Mr Colton says. "Investors on Wall Street like the idea of companies sticking to what they are good at."

While their public positioning has a greener tint, the European companies also argue they have a long future ahead of them in oil and gas.

Ben van Beurden, Shell's chief executive, told a meeting of socially responsible investors in London recently: "Our assessment is that there will continue to be commercial opportunities for Shell in oil and gas for decades to come."

Those fossil fuel revenues, he added, would provide a foundation "to position the company successfully for the energy transition to a lower-carbon system".

Shell last month launched a New Energies division to invest in renewables, and has hit the headlines for its possible bid for a share of an upcoming offshore wind tender in the Netherlands. But even if it wins the right to build an entire wind farm there, its output will be modest compared to the oil and gas operations it acquired in its estimated £35bn takeover of BG Group.

Bob Dudley, BP's chief executive, spoke in Washington last week about the company's support for the Paris agreement and for a carbon price set by governments. Since Lord Browne left, though, much of the "beyond petroleum" strategy has been abandoned. BP pulled out of solar power and shut down its advanced biofuels research programme in 2014. It tried to sell its US wind operations, but gave up when it could not secure a good enough price.

One executive at a large international oil company says: "We do think it's important to show we are changing the way we do business, especially in the wake of the Paris agreement. But has that agreement changed our capital allocation in the short term? Not really."

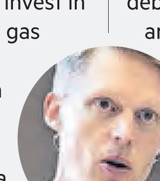
Oil companies have a long and inglorious history of diversification. For seven years to 1993, BP owned Purina Mills, the largest US animal feed supplier. Mobil owned Montgomery Ward, the US retail chain from the mid-1970s to 1988. Exxon had a big nuclear power business

New models
Using hydrocarbon profits to invest in cleaner power

The idea of a fossil fuel company turning itself into a renewable power giant might sound fanciful but it is already happening at Dong Energy, Denmark's largest energy group.

The company owes its very name to oil, having grown out of a 1970s state-owned group called Danish Oil and Natural Gas. It still has oil and gas platforms in the North Sea, along with a mix of power generation and energy sales businesses. But over the past eight years it has made a striking shift to renewables and is now the world's largest offshore wind farm group, with a 26 per cent share of global capacity.

Dong's oil and gas business still provided nearly 18 per cent of revenues in 2015 but the company is not looking to replace its long-term reserves or invest in new projects. Instead, the oil and gas division is being run to generate cash for Dong's expanding green ventures. Three-quarters of its capital is tied up with wind power, compared with less than a tenth going to oil and gas.



"The one megatrend really driving the sector is the transformation from black to green," says Dong's chief executive, Henrik Poulsen (above).

Whether Dong could be a model for its much larger and less diverse rivals is unclear. There is also the issue of state control: Denmark's government still owns 50.1 per cent after the company's listing this month. This has meant Dong had to please Danish politicians on both sides of the renewables debate, says Jens Houe Thomsen, an analyst at Denmark's Jyske Bank.

As a result, Dong spread into a sometimes baffling array of energy businesses. "If you had let them into a casino they would have probably put a bet on every number in order to win," says Mr Thomsen. But this also helped it withstand falling oil prices and expand in wind power as government support for that industry grew. "They moved from a very diversified philosophy into a very focused one at the right point in time," he says. *Pilita Clark*

Speed read

Industry shift Investors are wary that companies will spend on unprofitable 'stranded assets'

No new era yet Even European IOCs such as Shell argue they still have a long future ahead in oil and gas

Energy flows The industry expects the need for reliable supplies will continue to boost oil and gas demand

from 1969-86, and was a leader in solar power research in the 1970s and 1980s.

Looking at that history, Mr Spedding agrees with Exxon: oil groups should stick to what they know best. "Their efforts in renewable energy have generally failed, in part because they don't really believe in it, and they haven't brought in the right expertise," he says.

Instead, he thinks the industry should follow tobacco companies and focus on returning capital to investors through share buybacks and special dividends.

Profitability breakthrough

However, Jules Kortenhorst, a former Shell executive who leads the Rocky Mountain Institute, an environmental group, argues that the industry is different now. "Every time in the past, renewable energy was a subsidy-dependent business where in the end the path to making money was not clear," he says. "Now wind and solar can be profitable."

A few European companies are starting to embrace that argument. Statoil is developing its business in offshore wind, doubling its investment in the past year.

Bjorn Otto Sverdrup, Statoil's senior vice-president for sustainability, told a Financial Times conference this month that it was "shifting from being a mainly oil and gas company towards being much further into renewables".

Total is the most ambitious of the large oil companies. As well as controlling SunPower, it agreed in May to pay $1.1bn for Saft, a battery company, and this month signed a $224m deal to buy Lampiris, a Belgian supplier of gas and renewable energy.

The company says it would still principally be an oil and gas company in 2035 but Patrick Pouyanné, its chief executive, says he wants 20 per cent of its assets in low-carbon energy by then.

Tom Werner, SunPower's chief executive, describes Mr Pouyanné as "a hands-on guy" in his interest in the solar business, and says the relationship with Total has been valuable in winning contracts. "This isn't rhetoric or advertising: it's very real business," he says. "It's not greenwashing: it's the opposite of that. It's about making your numbers."

Total's model of allowing SunPower autonomy helps avoid the culture clashes that have hampered oil companies' efforts in renewable energy, but the investment is still a gamble.

Philip Lambert, an energy banker

> 'This isn't rhetoric: it's very real business. It's not greenwashing: it's the opposite of that. It's about making your numbers'

who leads Lambert Energy Advisory, warns that the pressure for the industry to cut back investment in oil and gas means it is "sleepwalking towards disaster". If companies hold back future supplies because they are "scared off" by concerns about climate change, he says, the result could be soaring prices a few years from now with renewable energy unable to meet the demand for reliable, affordable power.

But there are also risks on the other side. Oil companies that do not invest in renewable energy are betting that technology does not take a leap forward that wipes out their core business.

They are betting, too, that the pressure for governments to take action on climate will continue to be tempered by the need to secure reliable and affordable energy supplies. If they are wrong and worries about global warming come to be seen as urgent, oil companies and their investors will not be the only losers. But they could be among those affected soonest, and most sharply.

"Periods of transformation create winners and losers," says Statoil's Mr Sverdrup. "We believe we are in a strong position to be a winner in that process."

FINANCIAL TIMES
'Without fear and without favour'
WEDNESDAY 29 JUNE 2016

S&P issues a warning to Britain's political class

UK institutional strength is an asset that must not be squandered

Investors' verdict on the UK's vote to leave the EU was swift and brutal: the pound had plunged to a 30-year low by the time the official result was announced. Standard & Poor's, the last major rating agency to award Britain a coveted triple-A sovereign rating, took only a few days to pass similar judgment, cutting its rating of UK government debt by two notches on Monday. The downgrade, while justified, is unlikely to have immediate financial implications. However, it should be taken seriously as a warning of the risks now facing the UK's economic prospects and political stability.

The longstanding weaknesses that make the UK vulnerable to a sudden loss of investor confidence are well known: the huge rise since the financial crisis in the level of public debt; a chronic budget deficit; and a yawning current account deficit that must be plugged by capital inflows. S&P measures the UK's gross external financing need as more than twice the size of any other G7 economy.

The big change is in S&P's assessment of the UK's institutional integrity, previously a strength that underpinned the triple A rating. With understatement, the agency warns that the "leave" vote renders policymaking less predictable and less effective — even before factoring in the risk that it will trigger a fresh constitutional crisis over Scottish independence. In short, the downgrade represents a decision to treat the UK more like Italy or Portugal than like Germany. This will hardly come as a surprise to anyone who has been watching the political vacuum developing at Westminster.

The downgrade is unlikely to affect the UK's ability to finance its deficit in the short term, so long as the pound does not go into freefall and market turbulence does not deepen into a systemic crisis. So far, that does not seem to be the case. Instead, markets steadied somewhat on Tuesday, with sterling stabilising and risk appetite returning.

In any case, buyers of sovereign debt often have little choice but to seek out the safest assets in their own currency area. The US, France and Japan have all weathered similar downgrades in recent years without seeing any rise in financing costs. Sovereign yields, already depressed by global monetary easing, have fallen further in the past week — UK gilts included — as investors rushed for traditional havens.

Nonetheless, the S&P decision should be a wake-up call for Britain's political class. The country's institutional strength has historically been a huge asset that must not be squandered. It has been eroded in the course of a campaign where one of the strongest challengers to replace David Cameron as prime minister has questioned the probity of Mark Carney, the central bank governor; and Conservative MPs who usually embody the establishment have repeatedly sought to undermine the credibility of government departments and technocratic institutions.

These tactics do profound damage to the UK's reputation and to the functioning of its institutions. International observers now see politicians abdicating responsibility, intent instead on internal party machinations.

The S&P downgrade underlines the urgency of articulating a coherent policy that can sustain the confidence of both international investors and UK consumers. The shock of the referendum has not yet become a crisis. But businesses and households are likely to delay decisions, and the economy is bound to suffer, so long as Britain remains without a prime minister, a functioning opposition or clarity from the Leave campaign about the way forward.

Turkey seeks a way out of international isolation

There is a welcome hint of pragmatism in efforts to mend fences

Turkey has found itself increasingly isolated internationally and bereft of allies in a hinterland going up in flames. So, efforts by Ankara to mend fences with Israel and Russia, and more broadly, in the words of Prime Minister Binali Yildirim, "to increase the number of our friends and decrease the number of our enemies", signal a welcome shift after years of foreign policy setbacks resulting, at least partly, from an overreaching hand.

Within the space of a few days, Ankara has effected two significant about-turns. First, it has signed an agreement with Israel putting to rest the festering dispute over the killing in 2010 by Israeli troops of Turkish activists on an aid flotilla to the Gaza Strip. Israel will pay compensation to the families. Turkey will regain humanitarian and trade access to Gaza. Both sides come out better.

Israel regains a rare alliance in the region with potential security benefits. Natural gas will also likely flow from this deal, providing a market for Israel's offshore fields once a pipeline is built, and allowing Turkey to further its ambitions to serve as an energy transit corridor between Europe, Asia and the Middle East. Gas from Israel will reduce Turkey's dependence on Russia, while providing both countries with a commercial means of regaining influence with neighbours.

Potentially more significant are Ankara's efforts at engineering a rapprochement with Russia following the surprise dispatch of a letter from President Recep Tayyip Erdogan expressing regret for the downing of a Russian jet last November, and offering condolences to the families of the stricken pilots. Moscow has acknowledged this gesture without clarifying when or whether it could lead to a normalisation in relations. Potentially, however, it could prompt the lifting of sanctions with benefits for Turkish construction companies, for agricultural exports and most importantly for tourism. The latter has been hit hard thanks to a near complete drop-off in habitually numerous Russian visitors — something the industry might have been able to withstand better were it not for the parallel collapse in European arrivals due to terrorism concerns.

Turkey's olive branch to Moscow is a tentative first step towards repairing extensive damage. Carefully pursued, it could remove one source of instability in a region replete with too many and help to further diplomatic efforts to find a solution to the Syria conflict.

While there were numerous commercial reasons for this change of tack, security concerns were probably paramount. By seeking to become a standalone power in the Middle East in the tumultuous wake of 2011's Arab Spring, Turkey has been at odds with Egypt, ineffectually engaged in proxy wars with Damascus, Moscow and Tehran in Syria and acting as a pipeline for jihadis. The effect has been not only to demolish a carefully constructed system of regional alliances but also to inflame ethnic and sectarian divides at home; Turkey is now more vulnerable to attack from both Kurdish guerrillas and Sunni extremists as a result.

Meanwhile, the support that Syrian Kurdish rebels fighting Isis have received from Washington and Moscow has raised the prospect of a contiguous Kurdish-controlled territory all along Turkey's southern border. This in turn fuels its fears about the emergence of a Greater Kurdistan. The return of pragmatism to Turkish diplomacy is encouraging for Syria. But for Turkey to play a more positive role in the search for a political solution, the government must also look inwards and make real efforts to resolve the internal conflicts it has helped reignite.

Letters

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

Hedge funds are still reassuringly hard-nosed

Sir, Paul Marshall, the chairman of one of Europe's leading hedge fund groups, paints with a big brush when describing the post-Brexit landscape: Britain is now set to become "a beacon of free trade" thanks to a Leave campaign that was united by a "commitment to freedom, democracy, open markets and an enterprise economy". The referendum result will soon free the country from a regional bloc that "centralises all lawmaking" and is "run by a command-and-control bureaucracy" ("British business has broken free from Little Europe", June 28). It is almost as if we had won the cold war all over again — this time against EU bureaucracy, not Soviet communism.

How reassuring, then, to learn that it is still hard-nosed market instincts and not ideology that drive the hedge fund community in its day-to-day operations. You report in the same issue that some of the world's biggest hedge funds "have now moved aggressively to bet against the pound and British stocks", expecting "a sharp deterioration in the UK economy" ("World's biggest hedge funds pounce on pound after lying in wait for days"). Mr Marshall, meanwhile, blames the "prophets of UK doom" for ignoring the benefits of a national currency that can act as a "shock absorber". It seems his own industry is not wasting the crisis in order to put this theory to the test.

Dr Robert Falkner
Associate Professor of International Relations,
London School of Economics, UK

Sir, To understand why the Brexit vote passed, just look to your June 28 front page: "World's biggest hedge funds pounce on pound". This is precisely the unproductive behaviour the normal person is sick and tired of.

Tim Donnelly
Fort Lauderdale, FL, US

BoE should offer low-cost funds to any bank under strain from Brexit

Sir, Perhaps the most disturbing financial sequel to the June 23 Brexit vote was the credit down-rating faced by both the British government and the banking system. One problem is that the credit downgrades affect the ability of British banks, notably Barclays and Royal Bank of Scotland, to fund their assets. In this sense the worries of late 2008 have resurfaced. (The downgrades nevertheless seem odd. Banks in the US, Japan, Australia and so on are not in the EU, but their creditworthiness is not damaged because of it.)

May I suggest a simple answer? The Bank of England should make available to UK banks facilities of exactly the same kind as Mario Draghi, as president of the European Central Bank, made available to eurozone banks in December 2011. It should offer three-year low-cost funds ("long-term refinancing operations") to any British bank that has funding strain because of the unforeseen political shock of Brexit. If the European Commission objects that such facilities would be artificial subsidies (as it did when the Bank of England lent to Northern Rock, RBS and HBOS in the crisis period a few years ago), the Bank of England should point a finger at the ECB and Mr Draghi's LTROs. The UK will cease to be under the commission's thumb in late 2018 or 2019. It will then be outside the EU, and one would hope that the credit rating agencies will grow up and treat UK banks in the same way that they treat American, Japanese and Australian banks.

Prof Tim Congdon
Chairman,
Institute of International Monetary Research,
University of Buckingham, UK

Let UK leave as a lesson on pseudo-democracy

Sir, Gideon Rachman ("I do not believe that Brexit will happen", June 28) refers to "extremists" among the Leave supporters as a small group, whose opposition to any deal with the EU will always be there, thus should be ignored. Not being a Leave supporter myself, I last counted no fewer than 17,410,742 such "extremists". They all deliberately chose Brexit and took the time to vote on a day when they could have enjoyed other activities, and despite all evidence for the grave consequences, and the plea from intellectual, political and economic elites from the UK, EU and around the world. But they felt strongly about the cause they voted for. There are no extremists among them. Are we sure we must ignore their voice, even if they were blatantly lied to?

Moreover, the UK remaining in the EU — with or without a second referendum — will bring faster destruction of the union than Brexit ever could or will. It will signify all that is wrong with the EU today, not least the push with referendum after referendum until the elites get what they want.

Let the UK exit — whenever that may be — and let that be a lesson on what is wrong with this fallacy of one vote, one-time direct pseudo-democracy called a referendum, where elites can lie to voters with no recourse or accountability.

Dr Liubomir K Topaloff
Associate Professor of Political Science,
Meiji University,
Tokyo, Japan

The discontent of millions must now be confronted

Sir, As disappointing as I find last week's result and as awful as some of the social and market reactions have been, I wonder whether your headlines screaming doom and gloom may not now be bordering on the hysterical.

The very fact that Article 50 has not been invoked (and, it would seem, will not be invoked in the immediate future), and that so little real analysis of exit formalities has been carried out, creates uncertainty and is obviously causing severe concern globally. However, does this definitively preclude the possibility of something good emerging? The obvious discontent of many millions (not only in our country) must now be confronted as it would not have been had the result gone the other way; and, if nothing else, this surely is one positive.

Jonathan Paisner
LMN Capital,
London SW1, UK

Business has to play the hand it has been dealt

Sir, The British people have made their decision. Politicians and business leaders must now manage the outcome. Self-interest must take second place to national interest.

The UK government must focus on calming uncertainty and negotiating the best terms and smoothest pathway for a graceful exit. Business leaders must redouble their efforts to build a more prosperous Britain and play the hand they have been dealt rather than wish for a different set of cards. In or out — improving productivity and increasing exports remain the cornerstones of achieving economic success in increasingly competitive markets. Our collective focus must now be in building a Great Britain in a very different world.

Sir Roger Carr
Chairman,
BAE Systems

Hodgson for PM!

Sir, As we seem to be in a mood for radical change, perhaps David Cameron should become manager of England, and Roy Hodgson, who does after all have more experience than any other candidate of exiting Europe, should become prime minister.

Robin Cooke-Hurle
London SW11, UK

Forgotten contribution

Sir, In his letter (June 27) instructing the rest of us in the reasons we should be grateful for all that London gives, John Lock omits the enthusiastic participation in the events of 2008. Credit where credit's due, after all.

Alan Jessop
Cleatlam, Co Durham, UK

Reluctant birdwatcher

Sir, While I am a great supporter of nature conservation in general and the care of the environment, I confess I would prefer to see fewer "black swans" from now on.

Richard Hale
Singapore

'Trust me I'm a trustee' isn't good enough for Halcrow pensioners

Sir, Chris Martin, writing on behalf of the Halcrow Pension Trustees (Letters, June 23) attacks John Ralfe (Viewpoint, FTfm, June 20) for daring to question the proposed restructuring of the £750m Halcrow Pension Scheme, which will see the 3,300 members being placed on essentially fixed incomes and losing 10 to 15 per cent of their overall pension value.

As the co-chair of the Halcrow Pensioners Association I welcome Mr Martin's comments on Mr Ralfe's questions about the proposed asset allocation and the level of deficit reduction contributions, but I would ask him to now properly inform all members, rather than relying on the FT Letters column.

Halcrow has persuaded the Pensions Regulator that without the restructuring it would be forced into insolvency by its American owner, CH2M, with lost jobs and cuts to pensions anyway. It is difficult to see that this threat is genuine, taking into account Halcrow/CH2M's many engineering consultancy contracts, including those with the Environment Agency, the Highways Agency and High Speed 2.

What is more, CH2M needs Halcrow as much as Halcrow needs CH2M. Without the $400m of goodwill and intangibles it added to its assets from its purchase of Halcrow, its balance sheet would look very different.

"Trust me, I'm a trustee" just isn't good enough and decisions on any pension restructuring should not be made behind closed doors. The trustees and the Pensions Regulator, which has approved the deal, should be open.

Edward Evans
Chippenham, Wilts, UK

YouTube has created an unsustainable model

Sir, I note with interest your comments regarding changing safe harbour legislation ("Big music's misguided assault on YouTube", editorial, June 23). The argument that YouTube is preferable to piracy fails to recognise that rather than tackling the problem, it simply perpetuates the underlying assumption that music has little or no value to consumers. It is perhaps YouTube, rather than the music industry, that is misguided: parasitic growth creates an unsustainable model for the future, which is in nobody's interest: not that of YouTube, nor that of consumers, and certainly not that of creators.

The way safe harbour legislation has been interpreted has deprived creators of the ability to consent to the use of their creative works and resulted in a transfer of value from the creative industries to the technology platforms to the detriment of the economy as a whole.

Robert Ashcroft
Chief Executive,
PRS for Music,
London N1, UK

Where to now, FT?

Sir, So, to where will the world's only global newspaper be moving its head office: Brussels, Paris, Frankfurt, New York . . . or Tokyo?

Edward Mortimer
La Rochelle, France

French 'Leavers' cheer events over the Channel

Paris Notebook

by Adam Thomson

There are moments that stay with you as a journalist. Spending time with Farc leftwing guerrilla forces in Colombia's southern jungle is one. Listening to how Salvadorean gang member Nelly gunned down her first victim is another.

But some indelible moments are not always the most obvious. Such was the case as I waited in the headquarters of France's far-right National Front (FN) party last week in the Parisian suburb of Nanterre for the press conference that Marine Le Pen was preparing to give on the UK's decision to leave the EU.

Dressed in a smart blue blazer worn over a white top, the 47-year-old leader of the country's anti-EU, anti-immigration outfit entered the room trying to look as serious and professional as she could.

Except that, like a child who catches a first glimpse of the presents under the Christmas tree, Ms Le Pen could not stop a huge grin from spreading across her face.

The fleeting image spoke volumes about the importance of Brexit for Ms Le Pen, and not only because it allows her to work a theme that neatly fits the FN's discourse just as the country's politicians are preparing for next year's presidential election. It also helps her to legitimise her insistence on a vote on EU membership in France — an idea that until now looked extreme.

Little wonder that the FN leader — who, according to opinion polls, could be on course to make it to the run-off stage next year — directed her first thoughts across the Channel. "I would like to address my warmest and friendliest congratulations to the British people," she said. "For all the patriots, for all the lovers of liberty, this is a day of joy."

Many people in the UK assume that every citizen in France who has the right to vote possesses a innate and unwavering love for the EU, and that its institutions, policies and directives are buried deep within their DNA.

But it is not that simple: polls show that anti-EU sentiment runs high in the eurozone's second-biggest economy and it is growing. Meanwhile, following the UK's Leave vote, the country's mainstream politicians are already talking about the possibility of a referendum — though nothing close to the bald "in-out" question Ms Le Pen has been pushing for since at least 2013.

Nanterre, a reasonably quaint town in the western suburbs of Paris, is hardly representative of the whole of France. But it is no FN stronghold either: for one thing, its elected mayor is on the far left. So as I exited the FN's headquarters — complete with gift shop selling Le Pen baseball caps and "I love Marine" mouse pads — I walked by the Joan of Arc statue in the forecourt and canvassed the opinions of a few passers-by.

Several of them said they had no clue what I was asking them about. "Brexit?" said a Romanian worker outside a kebab shop. "What's that?" Mohammed, a polite 20-year-old French shop assistant who was taking a stroll past the local church, shrugged his shoulders as he admitted that he hadn't been aware of Britain's historic vote, and didn't know what it meant for the EU or for France.

But I was surprised how many people said that they supported Britain's Leave voters.

Alexandre, a 50-year-old builder, was one of them. He told me that he wasn't particularly political but he said that he was concerned about Europe's migrant crisis — last year more than 1m people from war-torn corners of the world poured across EU borders.

He also complained about how builders from Portugal, Spain and Romania were winning small contracts that he had competed for and yet didn't pay the same level of taxes or social charges that he faced in France. "We don't have the obligation to follow the EU — we have the right to say no," he told me. "That is what the UK has done and that is why I am happy."

Alexandre's grievance is exactly the sort of thing that Ms Le Pen is trying to tap. Her proposed referendum on France's membership of the EU — to sweep aside Brussels and create what she calls "a Europe of nations" — still looks like a far-off dream.

But as the grin on her face showed all too clearly on Friday, she knows that it is much closer than it used to be.

adam.thomson@ft.com

Comment

A step closer to cutting and pasting homo perfectus

OPINION
Anjana Ahuja

So it begins. Nobody thought it would happen this fast, and now we are preparing to take a leap into the unknown. Not Brexit but Crispr gene-editing, a DNA-changing technology that can supposedly cure mice of liver disease and muscular dystrophy, render human cells resistant to HIV and create fungus-resistant wheat.

It has also been touted as a means of remaking humanity — and now it is about to progress from Petri dishes into people. An influential advisory panel at the US National Institutes of Health has unanimously approved the first clinical trial to use Crispr genome-editing (also known as gene-editing) on humans, to reboot immune cells in cancer patients. Researchers at the University of Pennsylvania will target patients with multiple myeloma, melanoma or sarcoma. The team will remove a class of immune cells called T-cells from patients, edit the genes of those T-cells so they are better able to "lock on" to tumour cells, and then restore the altered T-cells back into the bloodstream.

With luck, the genetic edits should boost the patient's immune system. The study, now expected to receive the blessing of federal regulators, will be funded by a cancer institute founded by Sean Parker of Napster and Facebook fame.

The aim of this first in-human trial of Crispr is not to enhance therapeutic outcomes but to prove its safety. Other genetic technologies of great promise cast long shadows. Gene therapy, which involves inserting copies of missing or defective genes into a patient, usually using a virus as a carrier, was nearly derailed at the turn of the millennium, when a child with a severe immune disorder developed leukaemia as a direct result of the treatment.

The viruses chosen as carriers in some early trials wrought unforeseen damage. As a result the first European treatment using gene therapy, which has been around since 1990, was licensed only in 2012.

> This is when things get serious. Why just correct the human genome? Why not beautify it?

With gene-editing, the unintended consequence that most terrifies genetic researchers is "off-target effects", in which untargeted genes are inadvertently snipped, deleted or altered. The technology uses enzymes to search for particular sequences of DNA — but, just as it is possible for a word-processing software to pick out a string of letters in an unexpected place, the enzymes might similarly latch on to the wrong stretch of DNA.

The risk, at least in this trial, is minimised by the gene-editing being done outside the body, allowing researchers to check the T-cells have been appropriately amended before being put back into the patient. Still, once the cutting enzyme is unleashed, there is a possibility it could continue operating inside the body to uncertain end.

By next year we should have a hint of whether gene-editing really can fix deficient DNA in people. And that is when things get serious: why stop at correcting the human genome? Why not beautify it? That thought is preoccupying those in the field, who raised concerns at a Washington summit in December, organised by scientists from the UK, China and the US. Among those attending was Yale University's Daniel Kevles, a historian of the eugenics movement.

The thing about Crispr genome-editing is this: it is fast, cheap and easy to do. Many countries, especially those that see themselves as future torchbearers for technology, such as China, are forging ahead; China holds the first claim to creating a (non-viable) gene-edited embryo. Regulation is patchy.

No country endorses a genome-edited human embryo being implanted and being brought to term. Even so, gene-editing technology makes the prospect of a homo perfectus just slightly more probable — and, as a species, we have yet to fully grasp the implications of this brave and perfectly edited new world.

The writer is a science commentator

Britain's best hope is to keep Europe waiting

ECONOMICS
Martin Wolf

On May 22, one Boris Johnson gave his forecast for the UK's post-referendum future: "Given the choice between taking back control or being sucked ever deeper into the federal superstate, the British voted for independence on June 23. To no one's very great surprise, Project Fear turned out to be a genetic hoax. The markets were calm. The pound did not collapse."

Alas, untrue. After the biggest ever proportional two-day decline, the pound touched a 30-year low against the dollar. Standard & Poor's and Fitch have downgraded UK public debt. Investors have savaged bank shares. So far, the experts, dismissed by Michael Gove, justice secretary, have been proved right.

Mr Johnson is to economic forecasting what England is to football. Any well-informed person knew that a vote for Brexit would inflict medium-term pain on the economy. The Treasury might even have been underestimating the shock. It would be astonishing if there were to be no recession. This self-inflicted folly will hurt millions of innocent people. It is likely that buyers' remorse will soon set in. Voters might conclude that the leaders of the Leave campaign were fools or liars.

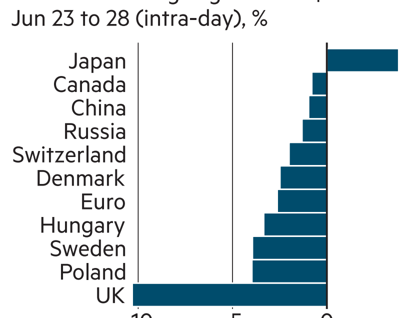
It is easy to sympathise with the view of Harvard's Kenneth Rogoff that the hurdle for a change to the status quo had to be far higher than 50 per cent of votes in a referendum on an issue as profound as this one. As it is, 36 per cent of eligible voters have been allowed to decide "without any appropriate checks and balances". This is just one aspect of the irresponsibility shown by David Cameron, Britain's prime minister, throughout this immensely important process. It is not surprising, for example, that he found it hard to argue credibly for Remain after spending more than five years denigrating almost everything about the EU. He has proved calamitously short-sighted.

Might it be possible to abort the entire process? Legally, yes. As Brexiters rightly say, the UK is a parliamentary, not a plebiscitary, democracy. The step that must be taken, if the UK is to leave the EU, is for it to issue a declaration under Article 50 of the Lisbon treaty, to trigger the process. In law, a referendum is solely advisory. Only parliament can do this, because only it makes valid law.

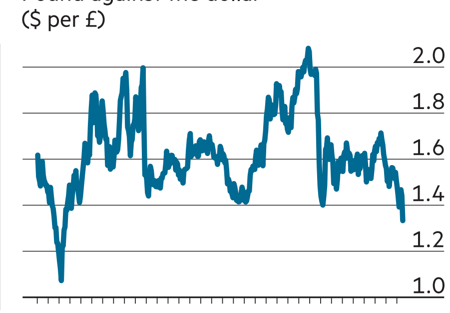
After selection of a new leader by the Conservative party, and perhaps even a general election, Prime Minister Johnson might, to paraphrase Emperor Hirohito's remarks at the end of the second world war, declare that, given the "unexpected" economic damage and the risk of a break up of the UK, the situation "had developed not necessarily to the UK's advantage". He might forget the whole thing or, alternatively, call another referendum, merely to make sure the people remained as determined. The desire of the Leave side not to trigger Article 50 and the determination of EU leaders not to negotiate until it does could then give the time needed to change minds.

Politically, however, this option would surely be too slippery, even for Mr Johnson. If so, a second option would be to suggest to the rest of the EU that the principle of unrestricted movement might be reconsidered. What, the UK might ask, about a safeguard arrangement? After all, UK membership and continued (if modestly restricted) access to the UK labour market would be better than Brexit and a tightly restricted entry. Moreover, only with safeguards on movement might Turkish or Ukrainian membership ever be feasible. The US could quietly indicate to the EU how much is at stake. Then there could be a referendum on new terms and so the UK might remain in the EU.

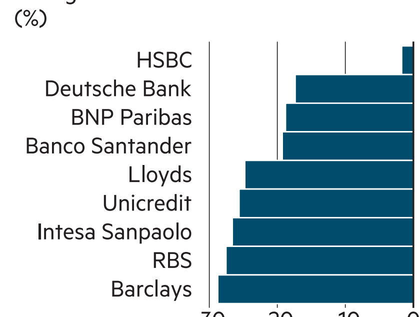
Sterling hit hardest
Currencies change against the $
Jun 23 to 28 (intra-day), %



A 30-year low
Pound against the dollar
($ per £)



Bank shares collapse
Change since Jun 23
(%)



Source: Thomson Reuters Datastream

Yet it is probable that the EU will rule out restrictions on movement. If so, Brexiters must recognise something they prefer to deny: they cannot have their cake and eat it. Mr Johnson insists there will be "democratic control of immigration policy". He also states that there will be "free trade, and access to the single market". But, if the EU sticks to its current policies, then the access to the single market the UK has today is unavailable, because that is incompatible with controls on EU immigration. Mr Johnson needs to make a choice.

> Brexiters must recognise something they prefer to deny: they cannot have their cake and eat it

"Access to the single market" are weasel words. Most will take it to mean the access the UK now enjoys. But it might mean the more limited access that the US, say, has. If that is all the UK seeks, it must say so. But leaving the EU and seeking to retain current access to the single market, while accepting free movement of labour, would be mad. If the UK were willing to accept all this, it should stay inside the EU, since it would continue to possess a voice in the single-market regulations that would affect it.

Controls on immigration are the crux. If they are inescapable for the post-referendum UK and if the EU will not shift on the issue, then the UK *must* lose its access to the single market. It should, instead, open discussions on the best trade agreement to allow such controls.

Right now, however, the best thing to do is nothing. The UK must work out what it wants. The EU must consider whether free movement is inviolable. The UK should avoid triggering Article 50: that would eliminate its leverage and would push it out of the EU within two years, probably with no further trade agreement. Any such stalemate cannot continue forever. But there could be benefits, for both sides, in avoiding too hasty and brutal an ending.

The story goes that a man condemned to death told his king: "I could teach your horse to sing, within a year." The king replied: "Very well. But if the horse is not singing a year from now, you will be executed." Upon the criminal's return, his cellmate remonstrated: "You know you can't teach that horse to sing." He replied: "I have a year I didn't have before. A lot of things can happen in a year. The king might die. The horse might die. I might die. "And, who knows? Maybe the horse will sing."

I suggest we try that year or so.

martin.wolf@ft.com

Jones vs Hodgson — there is only one winner

OPINION
Derek Wyatt

Eddie Jones is a leader of men with a PhD in strategy. Roy Hodgson is not. One is a field marshal, the other a sergeant major. The former coaches the England rugby union team, while the latter managed the England football side until their exit from the European Championship on Monday after defeat to Iceland. He resigned after the game.

Mr Jones is having an incredible run, with nine wins in a row, including a Grand Slam and, most recently, a 3-0 whitewash of Australia. Mr Hodgson already looked to have lost his way before England lost to Iceland, a team they were expected to beat.

While Mr Jones has had substantial success in Rugby World Cups with Australia, South Africa and Japan, Mr Hodgson, who took Switzerland to the Fifa World Cup in 1994, had a wretched time when England failed to reach the last 16 in 2014. At the time, he said the side was good enough to win the tournament.

How has Mr Jones turned round a failing team? After all, England was booted out of the Rugby World Cup last October, when they were the hosts. And why suddenly did Mr Hodgson start tinkering with his young side in the middle of the tournament in France, making six changes for the game against Slovakia?

In their penultimate game in the group stages of last year's Rugby World Cup, England lost to Wales 25-28 at Twickenham and failed to proceed to the knockout phase. Yet 12 of the 23 men who played in that losing squad also played in the winning side in Australia. How can players be pretty bloody awful one year and world class the next?

It is down to two men. Ian Ritchie, the chief executive of the Rugby Football Union, went out to find the best coach in the world armed with a small deposit from the Bank of England. Mr Jones was his pick. He was heading for a job in South Africa, but was persuaded by Mr Ritchie to take the challenge.

> What makes the England rugby coach stand out is his ability to look inside a player's soul

It was a challenge Mr Jones did not need to take on. His reputation was already secure after his Japan side beat South Africa in the last World Cup with the final move of a compelling match. Beating a country that had previously won two world cups was an earthquake in rugby terms. It led to television news readers and weather forecasters wearing the nation's rugby jersey throughout the tournament. In such a conservative country, this was unparalleled. It was timely, too, as Japan's plans for hosting the next Rugby World Cup had run into trouble amid concern over construction costs. No longer. The victory was received with unprecedented joy in Japan. Mr Jones is now a hero there.

He does not coach by the book. Nor does he worry about what the media might say. In fact, he relishes press conferences because he is comfortable in his skin. (When Mr Hodgson appeared, rather reluctantly, at a press conference yesterday, he said: "I had no indication that we were going to play that badly.") But what makes his rugby counterpart stand out is his ability to look inside a player's soul and tell them what they are thinking, how they can improve their skills and what they can possibly achieve. Such people are rare in life.

Mr Jones has established the toughest regime. He has made players turn up for training at 6.30am and created a climate of mutual respect, not of fear or failure, and the players have responded. There have been other neat touches, such as bringing back Dylan Hartley as captain, reinvigorating Chris Robshaw and James Haskell, introducing the huge talent of Maro Itoje and selecting on form. It all seems obvious now, but he did it.

Of Mr Hodgson, despite his long career, we know little. He has a quiet, reflective persona and is well respected. He is a decent man, but he is not a winner. He has done well at modest clubs such as Fulham, but he has never won a Premier League or a European title. It was never clear how he intended to win Euro 2016. And now his time is up.

The writer is a former Labour MP

Scottish Nationalists succeed where Leavers fail

BUSINESS
John Kay

As a schoolboy in Edinburgh, I was taught that, long before the union with England, Scotland had been a cosmopolitan country. The ports on the east coast showed the influence of trade with the Netherlands and the Hanseatic League. The Scots language demonstrated continental influences. The citizens of Edinburgh would shout "gardyloo", supposedly from the French "*gare de l'eau*", before throwing their slops into the streets from the windows of the tall tenements of Edinburgh's Old Town.

Even then, this example of early Scots sophistication did not convince. And the claim that their vote to stay in the EU — all districts of Scotland voted Remain in the referendum, and 62 per cent of the nation's voters as a whole voted to stay in the EU — is the product of a broad-minded outlook not seen south of the border also misses a crucial point.

The reality is that the discontent with established politics that erupted in the Leave vote elsewhere in the country has found expression in other ways. As one student of Scottish politics, explaining the UK Independence party's lack of traction north of the border, put it to me two years ago: "People in Scotland who are disgruntled and suspicious of foreigners [the English] already have a party they can vote for."

The fracturing of the opposition Labour party's traditional support in depressed areas of the north of England, which was decisive in securing an Out vote, paralleled the collapse of Labour's vote in the west of Scotland in favour of the Scottish National party in the general election of 2015.

The great achievement of the SNP, now in government in Holyrood and with MPs in Westminster, has been to be a party of protest and a party of government at the same time. This is an achievement Brexiters will find hard to emulate.

> The great achievement of the SNP is to be a party of protest and of government at the same time

While the Leave campaign and the SNP are disparate coalitions brought together by a common hostility, the SNP has a clearer and more positive vision of the future, and evidence of administrative competence has been absent on the Brexit side. A remarkable outcome of the Remain campaign was that the two most impressive political performers were women from Scotland: Nicola Sturgeon, the SNP first minister, and Ruth Davidson, leader of the opposition Scottish Conservatives. English politics is in chaos; Scottish politics is not.

But support in Scotland for the SNP, in large part a response to Labour's failure, should not necessarily be equated with support for independence. The SNP cannot call a fresh referendum unless it is highly confident of winning it. A second No vote, even if close, would put an end to dreams of independence for a generation and perhaps forever, as in Quebec. And economic prospects for Scotland are less attractive with oil below $50 per barrel than when prices were twice that level.

On the other hand, one factor has changed decisively. If Scotland had voted for separation in 2014 the path to EU membership would have been slow. While the outcome would have been inevitable, countries with their own separatist movements, notably Spain but also perhaps Belgium and Italy, would probably have been obstructive.

Now, Scottish accession would be greeted with open arms. And while it probably does not make sense for an independent Scotland to join the eurozone, dallying with the prospect is a tease that might assist in negotiations with both the EU and the rest of the UK.

After the Scots independence referendum failed, narrowly, in 2014, I judged that independence was the likely outcome but probably not in my lifetime. It now seems likely that I will see it. Whether it is desirable is another matter altogether. As with Brexit itself, the economic impact of the change is greatly exaggerated by both sides and the costs of transition large.

johnkay@johnkay.com

After Brexit, three lessons from the financial crisis

Sarah O'Connor
On employment

"It was as if somebody switched the lights off and went home." That was how the boss of a construction company described how his order book evaporated in 2008 when Lehman Brothers failed.

As a rookie corporate reporter at the time, his comment stayed with me because it marked the moment I realised how quickly a shock can turn into a recession.

I thought of it again this week when a survey of UK companies found a significant minority planning to freeze recruitment and cut their investment plans in response to British voters' decision to leave the EU.

This shock is different from the global financial crisis (it is neither global nor financial, for a start) and we do not know yet how much it will affect the real economy. But as people start to worry about their jobs again, there are three useful lessons to recall from what happened to the British labour market last time.

First, the jobs market proved remarkably resilient through the financial crisis. Unemployment peaked at 8.5 per cent in 2011 — far lower than expected given the drop in output — then began to fall at a pace that took us all by surprise. In 2013, the Bank of England announced it would hold interest rates at record lows until unemployment fell to 7 per cent, which it predicted would take more than two years. It took just eight months.

The jobless rate is now 5 per cent, the lowest since 2005. And unlike in the US, where low unemployment disguises the fact that many people have simply given up looking for work, inactivity in the UK is near record lows.

In sum, the labour market entered this period of turmoil in pretty good shape and with a strong record on jobs. That is some comfort.

One important caveat: because no one really understands why employers clung on to workers through the last downturn, we cannot know for sure they would do the same again. There are also some companies, such as investment banks, that might move jobs out of the UK because of Brexit.

The second lesson is more sobering. The flip side of strong jobs growth in the UK has been terrible productivity and anaemic wage growth.

Before the financial crisis, nominal wages and productivity typically grew about 4 per cent and 2 per cent a year respectively. Since the crash, wage growth has crawled along at half the usual rate and productivity has almost stalled. For five years, workers endured real-terms pay cuts because prices in the shops were rising more quickly than salaries. That problem has reversed recently, but only because inflation has dropped to almost zero.

The worry now is that — because the pound has dropped sharply — inflation will rise because imports will be more expensive. Many economists believe inflation will increase to between 2 and 3 per cent. Unless employers offer higher pay rises (which seems unlikely at a time of economic uncertainty) that suggests real wage growth will peter out or even begin to fall again.

The third thing to remember about the last downturn was that net inflows of migrants from the rest of the EU almost halved between 2007 and 2010 as fewer Europeans arrived and more left. Most EU migrants come to the UK to work: they ebb and flow with the ups and downs of the labour market.

> Most EU migrants come to the UK to work: they ebb and flow with the labour market

Some people believe the Brexit vote will trigger a migration surge as Europeans scramble to move to the UK before controls on free movement are put in place. I'm not so sure.

If the economy starts to suffer and sterling remains weak, it will be a less attractive destination for migrant workers. Jonathan Portes, an economist at the National Institute Of Economic and Social Research, believes EU net migration may already have peaked.

On top of that, there is the psychological effect of the Brexit vote. It creates huge uncertainty for current and potential migrants. I know some Europeans who now want to leave the UK because they no longer feel welcome.

Since Thursday's referendum, the jobs website Indeed has seen a spike in people searching for jobs outside the UK. Job search traffic has also increased from EU countries to Ireland, at the expense of usual EU-to-UK searches.

The idea that Brexit would allow Britain to limit EU migration was a potent message for some voters. Ironically, by the time the UK actually closes the door, people may well have stopped knocking.

Sarah.Oconnor@ft.com
*Twitter: @sarahoconnor_*

Entrepreneurship. Julia Hartz, CEO, Eventbrite

Box office gold

The co-founder of the online service tells Emma Jacobs about making ticketing easier and working with her husband

Starting a company provided a kind of 'MBA on steroids', co-founder Julia Hartz says

Anna Gordon

Julia Hartz is sitting on an egg-yolk yellow chair in a room painted grey and white, with the straight-backed poise of a dancer. As a child growing up in Santa Cruz, California, ballet was her extracurricular pursuit. While she has long abandoned her ballet shoes, she reflects that the training has instilled in her an ability to take direction.

"That's usually not the typical entrepreneur skillset," she laughs. Becoming an entrepreneur was not, after all, a childhood ambition, although she was confident she would "do well in business . . . I had that hunch".

In April she became chief executive of Eventbrite, the online ticketing service that can be used by almost any organiser of events, big or small, which she co-founded in 2006.

She succeeded Kevin Hartz, who became executive chairman. The pair had been concerned that employees and business associates would continue to direct problems or questions to Mr Hartz, but that has not been the case, she says. "He is an incredible feminist and [is] just rock solid. It's working beautifully so far."

That she has some affection for her business partner is not surprising: he is, as their shared name suggests, also her husband. Throughout the conversation in Eventbrite's London offices in the jewellery district of Hatton Garden, she apologises for "gushing" about him.

"I don't want to sound too idealistic but we have a 50/50 partnership," she says. "It's not like I'm doing 30 per cent more at home. We have the exact same responsibilities."

Half of Eventbrite's employees are women, as are 40 per cent of the executive leadership team and 33 per cent of the board. Yet, despite having two daughters as well as a business with Mr Hartz, it took courage to put herself forward for the top job: "It wasn't a given. I needed to earn it and I needed the board's approval and support."

There is a third co-founder, Frenchman Renaud Visage, founding chief technology officer, who Ms Hartz describes as "the bravest man on the planet" for running a company with a couple. He is neither gooseberry nor mediator, she insists.

The secret to making the three-way partnership work, she says, is a clear separation of duties: she has focused on marketing, her husband on product development and Mr Visage on engineering.

While Ms Hartz's expertise in marketing and management, gained from a career in television production, complemented the skills of her business partners, it was Mr Hartz who was the experienced entrepreneur in Eventbrite's formation. That is where the ability to take instructions learned as a ballet student came in useful. Starting a company provided a kind of "MBA on steroids", Ms Hartz reflects.

After studying communications and broadcast journalism at Pepperdine University in Malibu, Ms Hartz went into television, working for channels MTV and FX on programmes including *The Shield* and *Nip/Tuck*.

It was at her MTV boss's wedding 13 years ago that she sat next to Mr Hartz, an entrepreneur and early investor in PayPal, the online payments company. After she did a reading at the ceremony, he congratulated her, which got her attention. "And he was persistent."

For two years the pair shuttled between Los Angeles and San Francisco as Mr Hartz built his second start-up, Xoom, a money transfer company, and Ms Hartz developed series at FX. This time gave Ms Hartz an opportunity to live vicariously in the tech industry, ultimately persuading her that this was where she wanted to work: "Things move at a pace . . . In television things move quite slowly. It can take years to get a show off the ground."

In 2005, Mr Hartz pitched the embryonic idea of Eventbrite to his future wife. Both were taken by the concept of "democratising" ticketing for events, by allowing people to sell tickets for small events, such as a fringe theatre production or a photography show. Data are also sent back to organisers to help plan events.

They believed that, as with online payments, the ticketing business was ripe for disruption. "There was no self-service platform," she says. Just as PayPal meant people could set themselves up as merchants, the idea of Eventbrite was to challenge the dominance of the likes of ticketing agency Ticketmaster, and allow anyone to set up, say, a small ticketed yoga class. In retrospect, it was a bold move. "At the beginning we had no idea. If we'd had any idea we wouldn't have done it . . . because it's incredibly complicated and nuanced."

Today, Eventbrite employs 550 staff, in eight countries, and in the 10 years since inception has sold more than $5bn worth of tickets; last year Eventbrite processed more than 100m tickets worldwide. The largest event the company has facilitated was a Salsa Congress in Mexico in 2011 (Festival Internacional de Salsa Boca del Río) that sold almost 100,000 tickets. The company charges a percentage of the ticket price plus a fee on each ticket sold.

Using money largely from the returns on Mr Hartz's earlier investments, the trio kept things relatively lean at the start. In 2008, during the financial crisis, they tried and failed to raise funds. "That was one of the scariest moments for us because we did have people on the payroll. Everybody felt like the sky was falling — and it did for a lot of people." While it was a difficult time to win investment, ticket sales were relatively unscathed, she says. In fact, many people were setting up events in an attempt to generate income, including meetups for the unemployed and job fairs. By the end of 2009 Eventbrite managed to obtain funds of about $6.5m from Sequoia Capital and had 30 employees.

Ms Hartz declines to reveal details of revenue or profit margins, but says Eventbrite hopes to break even by the end of the year. There are no plans to sell the company but flotation is a strong possibility. "We don't have imminent plans. That's certainly a very challenging route, but we're up for the challenge."

Visiting London from Eventbrite's HQ in San Francisco, she is speaking as the UK is in the grip of Brexit fever. For her, one of the biggest issues raised by the EU referendum is the ability to hire international talent.

"It's important for us to be able to move people around the world. It's incredibly difficult in the US to bring people in. So anything that would create a barrier would be bad for our business."

In order to meld employees — or Britelings as they are called — the husband and wife hold a weekly Hearts to Hartz session, in person and on Google hang-outs for those overseas. It is an opportunity to discuss challenges, the impact of Brexit and the chief executive succession. For Ms Hartz, Eventbrite is like a third child. "It's a completely unconditional feeling, an almost irrational loyalty."

Silicon Valley

Parental leave

In Silicon Valley, notes Julia Hartz, there is almost an "arms race to give more and more time" off to an employee having a child. This is "getting a little bit nuts", she says.

Eventbrite's policy is a minimum of 16 weeks at full pay for the primary care giver, and 12 weeks at full pay for the secondary care giver. "If it's culturally appropriate I think that works but you have to have the entire society around that," she says. More important is to have a sympathetic and supportive corporate culture: "It's a big change in your life." Eventbrite has an unofficial buddy system, whereby an employee who takes leave mentors the next new parent to do so.

Her focus is to mentor and help "coach [women] through tricky situations", particularly over issues of confidence, she adds.

Let's launch in . . .

Milan, Italy

iStock

Population	**1.2m** (wider urban area: **5.5m**)
Venture capital invested in Italy 2014	**€133m**
Start-up applications to growth decree scheme	**6,000**

Italy has a history of entrepreneurialism: think of Giorgio Armani, Michele Ferrero, who created Nutella, or more recently Federico Marchetti of Yoox Net-a-Porter, or Nerio Alessandri of Technogym.

With a temperate climate, good food, an abundance of artistic treasures — and a perfectly made espresso costing about €1 — the *bel paese* is a pleasant place to live. Still, the main drawback for entrepreneurs is the red tape.

The case for: The geography of Italy's start-up scene differs from most countries. Whereas start-ups have bunched around big cities from San Francisco to London, in Italy it is more spread out.

In a reflection of the country's postwar manufacturing clusters, start-ups gathered in all the main cities. Turin, Bologna, Naples and Rome all have start-up hubs: however, Milan is the largest.

The city has become a destination for start-ups at least in part because of the impetus and increase in vitality that followed the city's hosting last year of the World's Fair, Expo 2015. In addition, Italy's finance and fashion capital is home to some of the country's top universities, including Bocconi University, which is rated among the best for business and finance.

The start-up scene has been boosted after Italy passed a growth decree in 2013, which included legislation to make it easier to found innovative businesses.

That legislation has been extended under the reformist government of Matteo Renzi, who came to power in 2014.

To qualify, start-ups must be under five years old, have revenues of less than €5m a year, not yet paid a dividend and be based in Italy. They receive an exemption from certain taxes and a green light for flexible employee contracts that include payment in stock options.

Bankruptcy procedures are also less onerous than they were, part of an attempt to lighten the stigma of business failure.

The case against: The growth decree has eased some of the bureaucracy for start-ups but it still remains an insurmountable barrier for some new business owners. The red tape that accompanies basic tasks is daunting for Italians, let alone outsiders who often face a language barrier.

Italy has experienced a flight of young talent, who found it difficult to plant the seed of their ventures at home despite the growth decree, but are now creating communities of Italian entrepreneurs in Silicon Valley and London.

Ones to watch: MoneyFarm, a fintech start-up, and Mosaicoon, which helps videos to go viral and has an office in Milan, are two leading Italian start-ups.

Talent Garden, itself a start-up, has opened 16 co-working spaces. It has 13 "campuses" in Italy and three in Tirana, Barcelona and Kaunas, reflecting an impetus to follow Italians setting up businesses outside Italy.

What the locals say: Davide Dattoli, co-founder of Talent Garden, says the Renzi reform has "facilitated a lot of start-ups" in Italy. Even the downside of the dispersed start-up scene "is also an advantage because it spreads energy".

Rachel Sanderson

Innovation to watch

Friends-based insurance

RICHARD NEWTON

iStock

A new insurance market entrant is promising to return up to 80 per cent of premiums to consumers if neither they nor their friends make a claim over a 12-month period.

London-based So-Sure is focusing initially on mobile phones. "This is not traditional peer-to-peer insurance group pooling," says Dylan Bourguignon, chief executive and founder. "Getting your 'money back' is only dependent on your friends not claiming, and not on . . . the claims of people you don't know directly."

This direct relationship to trusted people distinguishes its "social insurance" approach from recent innovations in mutual models such as Guevara.

Unlike mutual models, which pool large numbers, "social insurance" is a network-based micro-pooling model. This benefits consumers who share risk/reward only with those they know and trust.

When consumers buy mobile phone insurance through the So-Sure app, the company creates a "reward pot". The consumer can increase their reward pot by connecting to people they trust who also buy the insurance. People that connect have up to £10 each added to their reward pots. They can connect to as many people as they want until their reward pot is worth 80 per cent of the premium. If neither the insuree nor their direct connections make a claim, the reward pot is paid out at the end of the year.

If an insuree does claim, their reward pot and their network's reward pot are used to help fulfil the claim.

Through the app, the consumer can get a quote instantly, pay in seconds, invite their friends and keep track of their reward pot.

So-sure is starting with phones, Mr Bourguignon says, "because they are expensive devices which we would struggle to live without and they are, of course, how we connect directly with others".

ARTS

Explosion of colour that began in the Ashcan

Stuart Davis, the spiritual father of Pop Art, at last gets his due in a show at New York's Whitney Museum. By *Ariella Budick*

Stuart Davis has always enjoyed a seat at the high table of American art; now, the Whitney Museum's buzzing new retrospective demands that he take pride of place. Most surveys of early modernism dutifully recognise Davis as a critical figure in the rise of abstraction, representing him with one or two paintings. The Whitney's tribute, on the other hand, unrolls his career like a brilliant scroll, surprise following cheery surprise. Curators Barbara Haskell and Harry Cooper have staged a generous show, replete with soul-warming paintings.

Unlike so many of his peers, Davis didn't fall for Picasso. Sure, he quaffed Cubism's concepts, guzzled Fauve colours, and soaked up Mondrian's spare geometries. But he also swirled these European advances together into an optimistic New York style, tinged with his own ebullience. He thrilled to the brash graphics of advertising, and magnified humdrum products — Lucky Strike packs, Edison Mazda lightbulbs, and Odol Mouthwash ("It Purifies!") — to monumental scale. His creative improvisations on the theme of mass culture anticipate Pop Art by almost 40 years. Davis likened his project to euphoric poetry: "I too feel what Whitman felt and I too will express it in pictures — America — the wonderful place we live in."

Davis was born in Philadelphia in 1892. His father belonged to a group of newspaper illustrators who formed the core of the so-called Ashcan School. Under the leadership of Robert Henri, they revered the common man and shunned refinement, wallowing in the foulest corners of the city. "The sketch hunter has delightful days of drifting among people," Henri wrote. "He is looking for what he loves, and tries to capture it. It's found anywhere, everywhere. Those who are not hunters do not see these things."

Inspired by such effusions, Davis dropped out of high school at 16 and went to study with Henri in New York. And even as he edged away from Ashcan realism, he never abandoned either the school's politics or its rituals of passionate observation. However abstract his art became, he always injected it with meticulous love of the city.

The 1913 Armory show exploded the American art scene at a formative moment in Davis's life. Matisse, Gauguin and Van Gogh leapt off the walls and lodged in his creative brain. In Chicago, art students felt so threatened by the European avant-garde that they burnt Brancusi and Matisse in effigy. Davis, though, understood right away how to use colour in perversely pleasurable ways, boasting about how quickly he "could paint a green tree red without batting an eye".

> 'I too feel what Whitman felt and I too will express it in pictures — America — the wonderful place we live in'

He found loveliness in grim times, but not through blithe escapism. In the 1930s, he plunged into activist politics, writing articles, leading an assortment of leftwing organisations, and editing the radical journal Art Front. As squabbles erupted between modernists and traditionalists over the correct approach to politically engaged painting, Davis argued for the power of formal innovation. Viewers, he believed, could restructure their minds simply by grappling with contrapuntal arrangements of shapes and colours. His was a subliminal revolution.

Not quite trusting his theory to deliver on its promise, he often reinforced his message with clues. The "New York Mural", made for a 1932 exhibition at the Museum of Modern Art, applies the punchy flatness of commercial billboards to agitprop. Against a backdrop of the Empire State Building and other rising skyscrapers, Davis inserted a collection of avatars to represent Al Smith, the progressive four-term New York governor who ran for president in 1928 and again in 1932. We see his ever-present derby hat and bow tie; a pair of giant bananas evokes his campaign theme song, "Yes! We Have No Bananas"; and an upended champagne glass nods to Smith's fight against Prohibition. (That cause resonated with Davis.) Most people missed these coded suggestions, and by now they have grown as indecipherable as antique political cartoons. Yet his passion and humour endure, and the picture still packs a wallop.

Socialist realism was the common idiom of the Works Progress Administration, but Davis kept veering happily into abstract subversiveness. "Swing Landscape", a nearly 15ft mural that he created in 1938 on assignment for the WPA, never made it to the Brooklyn housing project for which it was intended. That's a shame for the residents, since its kaleidoscopic patterns and hectic energy would brighten anyone's life, but at least it didn't suffer the neglect that beset every other aspect of public housing. Instead, it wound up in the Indiana University Art Museum, and now casts its brilliant glow at the Whitney.

Secure in his individuality, Davis candidly acknowledged his influences, especially Fernand Léger and Piet Mondrian. They assimilated urban intensity into sublime abstractions — exactly what Davis aspired to. With its vibrant colours, clangorous silhouettes and jazzy dissonances, "Swing Landscape" pays homage to Léger's "The City" of 1919. Davis also memorialises Mondrian in "For Internal Use Only" (1945), where he cordons off cartoony colours within a black-striped grid. Davis saw Léger and Mondrian as soldiers of exuberance. Léger wrote that "The beautiful is everywhere"; Mondrian, on the run from Fascism, found succour in jazz syncopations and Broadway lights. All three perceived animated patterns in the city's grids, pulsing neon and jostling cars.

In the postwar period, Davis drastically pared down his manner and reduced his palette. He regenerated old motifs by magnifying and simplifying them. The results are shocking in their clarity. "Première" (1957), a babble of block-cap monosyllables ("bag", "large", "cat", "new", "cow"), conjures a battle for the customer's attention in the supermarket. It's too bad that Davis's career wound down just as Pop Art sprang to life. He was the movement's spiritual father, though his work lacked the next generation's irony and preening self-consciousness. He was that rare bird among great 20th-century artists: an unembarrassed painter of joy.

Until September 25, whitney.org

Syncopated city: 'Swing Landscape' (1938). Below: 'New York Mural' (1932). Right: Tom E. Lewis in 'The Shadow King'

Estate of Stuart Davis/Licensed by VAGA, New York

THEATRE

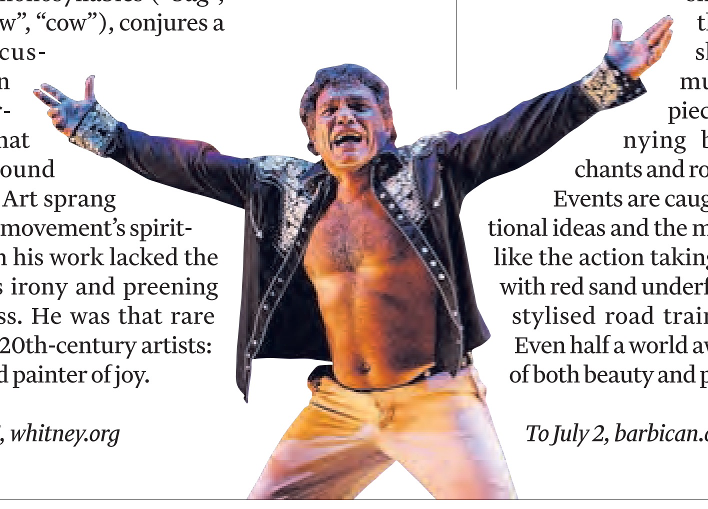
The Shadow King
Barbican, London
★★★★☆

Ian Shuttleworth

Melbourne-based Malthouse Theatre's 90-minute version of *King Lear* is one of the best free adaptations of a play I have ever seen. Thoughtful, intelligent, sensitive and deft at every step, it shifts the angle of the play a few degrees to a perspective of its own but without traducing any element of the original. It is linguistically agile, including a number of verbatim lines from Shakespeare but largely paraphrasing it in a blend of English and the local Kriol (or creole) of the Northern Australian Aborigines among whom this version is set.

Lear is the head of an Aboriginal family clan, once again dividing his "kingdom" between his three daughters. Gloucester becomes mother rather than father to her two sons, and all other characters are excised apart from the Fool, who continues to speak truth to Lear but also becomes our own storyteller and guide through the conceptual world of this people. The driving idea here is one common to many indigenous peoples of the world: that we are not the owners of the land, rather it is of us. This is what Lear has lost touch with, which causes first his folly then his madness, and it makes radiant sense as an interpretation of the play.

The idea of re-telling *Lear* in this way is that of director Michael Kantor and lead actor Tom E. Lewis. His Lear is a force of nature: by turns assured, defiant and as tempestuous as the storm through which he wanders. Kamahi Djordon King as the Fool is at once audience-friendly and a touch shamanic; it helps that the evening is shot through with music, with a four-piece band accompanying both traditional chants and rockier numbers.

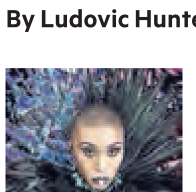


Events are caught between traditional ideas and the modern world, just like the action taking place on a stage with red sand underfoot and a gigantic stylised road train as a backdrop. Even half a world away it is a creation of both beauty and profundity.

To July 2, barbican.org.uk

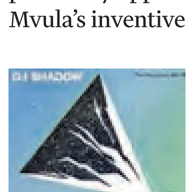
Music Pop album reviews

By Ludovic Hunter-Tilney



Laura Mvula
The Dreaming Room
RCA
★★★★☆

Laura Mvula has a lot of songwriting tools at her disposal. The English singer has a degree in classical composition, a strong voice and a way of making complex music sound easy, skills that attracted the admiration of Prince, who invited her to tour with him in 2014. With such a range of options there is the danger of overdoing things, a pitfall *The Dreaming Room* stumbles into with the frantic positivity of its closing track, "Phenomenal Woman". But the rest of Mvula's second album is highly impressive. "Overcome", which features Chic's Nile Rodgers on guitar, goes from rippling funk to hymnal chants before synthesising the two elements. "Lucky Man" finds her delivering a powerful bluesy vocal over brooding orchestral arrangements and then rallying with a psychedelic, Brian Wilson-style harmonic coda during which she sings: "Nothing is impossible." The context is the renewal of life after an emotional breakdown, the album's central theme; but a sense of boundless possibility applies equally to Mvula's inventive songs.



DJ Shadow
The Mountain Will Fall
Mass Appeal
★★☆☆☆

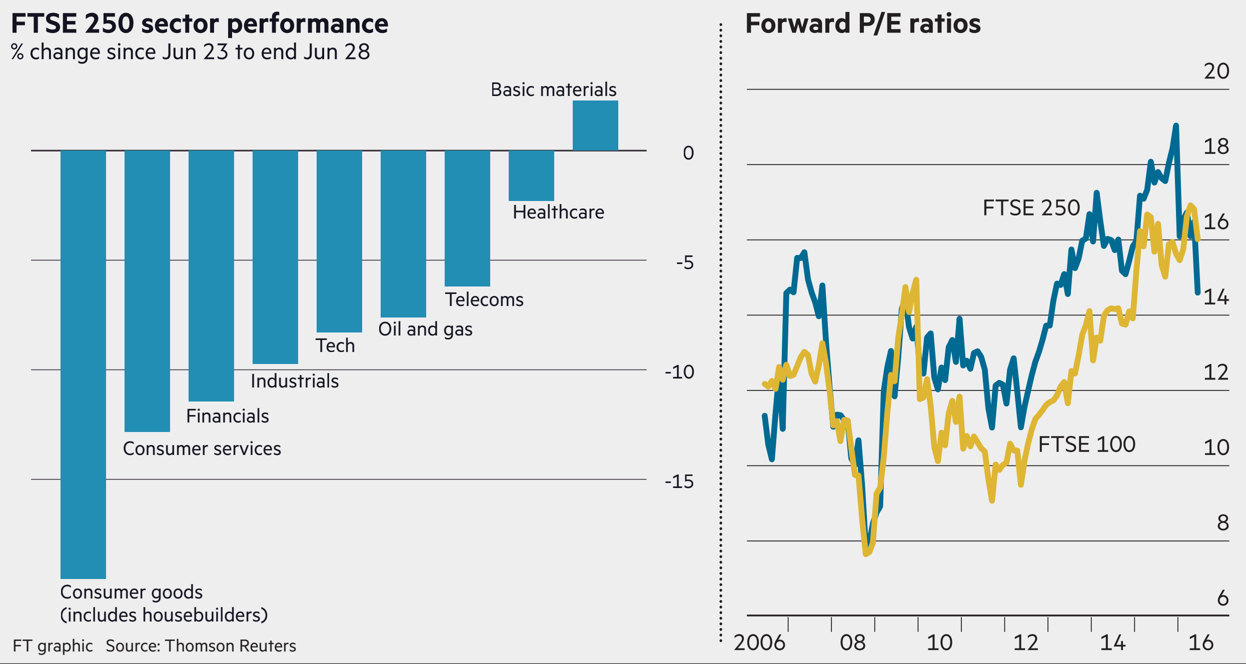
DJ Shadow's first album in five years, *The Mountain Will Fall*, suffers from several songs that are so good they amplify the drabness of the others. "Nobody Speak" finds the Californian turntable maestro teaming with rap duo Run the Jewels for an irresistible head nodder while "Bergschrund" matches his stuttering beats to Berlin producer Nils Frahm's insistent electronic music, a nice juxtaposition of different elements. But elsewhere Shadow allows the tempo to subside into dull instrumentals, produced with impeccable attention to detail but scant sense of drama. "Mambo" sets an antique spoken-word sample about dance steps to a tediously alienated beat, while "Ghost Town" and "Suicide Pact" mistake torpor for moodiness.

Lex.

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

Panic attack

Two days of heavy selling, led by banks and housebuilders, has left the UK's mid-cap index on a lower multiple of profits than the blue-chip benchmark for the first time since before the financial crisis



FT graphic Source: Thomson Reuters

Panic, in finance, is the process by which the balance of risk and return moves in the buyers' favour. The sell-off of British companies went into panic territory on Monday. Though there was a small recovery in the FTSE 250 yesterday — a dead kitten bounce, as it were — a wide range of companies are now too cheap, if very worst case scenarios are not realised. For the first time in years the index is cheaper, relative to profits, than the large-cap FTSE 100.

The worst fallers have been banks and housebuilders. Demand for homes is intensely cyclical and the UK banks, especially the smaller ones, are real estate plays too. Their asset books are packed with mortgages. And lower gilt yields will hit the banks' interest margins, too.

Housebuilder (and FTSE 100 constituent) Persimmon has lost more than 35 per cent of its value since the referendum result. It now trades at less than 8 times trailing earnings, has a 12 per cent free cash flow yield and £500m in net cash on its balance sheet. Brits will still want and need homes. Are some UK housebuilders going to offer profit warnings in the coming months? It seems quite likely. But at the very least it is time to choose which to snap up when the warnings do hit.

On to banks: Virgin Money, a mortgage lender with a little credit card exposure on the side, is down 40 per cent since last week and has fallen from 1.2 times book value to 0.8 times in that period. If the UK housing market turns out to be OK, the upside will be very large.

Banks and builders are always chancy, but they are not the only stocks that are down. For example: Ted Baker, a fashion brand that has delivered five-year compound annual earnings growth of 20 per cent, has lost a fifth of its value. Recruiter PageGroup is off 30 per cent; only a quarter of its revenues are in the UK. It has received a volley of analyst downgrades because of sensitivity to the economies of the UK and Europe. It is good to get those downgrades out of the way. Now — for Page and many other stocks in the FTSE 250 — it is a matter of weighing the probability of a severe recession. It is far from a certainty.

Volkswagen: less fuming, more drive

Rudolf Diesel is persona non grata in the US. Whereas in Europe half of vehicles use the fuel that bears his name, only 4 per cent do over the pond, and just a quarter of those are cars, says the US Department of Transportation. If Volkswagen, the German carmaker, once relished the prospect of converting the US to diesel, it no longer does. Its emissions scandal may linger a while yet, but the result must be a more honest, and more efficient company.

Yesterday, VW announced a US settlement of $15.3bn in relation to its admission last September that it installed software designed to manipulate emissions test results.

More than $10bn will go either to buying back or fixing the half a million cars with "faulty" diesel emission systems. VW diesel owners can choose — and the company should clearly prefer owners to opt for a repair. The carmaker has to pay a price based on September 2015 values anytime up until the end of 2018, with no depreciation of value. One would expect a car to devalue by half over that time, considerably more than the cost of fixing it. So the buyback terms look generous. Another $2.7bn goes to the Environmental Protection Agency. A further $2bn will go into investments on zero emission cars. In addition, $603m will go to 44 US states, the District of Columbia and Puerto Rico.

This settlement will still cause blushes, but will not surprise markets. VW had already provisioned for $18bn of scandal costs in its fourth-quarter results. True, it still faces investor lawsuits everywhere, including Germany, and pressure from Brussels to compensate VW owners in Europe. A bigger question is whether VW can change. Leave aside the concerns about its structure and governance. Over the past five years it has bloated into an unwieldy mess. Productivity — output per worker — is about 40 per cent behind its peers, 30 per cent if one adjusts for the fact that it makes most of its own components. Material costs to sales surged to 78 per cent last year. Bringing the ratio back to where it was a few years ago would save about €7bn — the equivalent of last year's operating profit. VW faces a long struggle to rebuild its reputation among car buyers. Getting on with the task of slimming down to boost profits and productivity should go some way to restoring its reputation among investors.

Lending Club: usury about it?

There are plenty of reasons to sell Lending Club. However, Monday's 8 per cent decline in the stock was not justified. It was sparked by the Supreme Court's refusal to review a lower court decision widely seen as negative for the online lender.

In Madden v Midland Funding, a woman who did not pay her Bank of America credit card bill won her claim that a credit collection agency had no right to levy a 27 per cent rate on her debt because it breached New York state's usury caps. As a national bank, BofA was permitted to rely on the looser regulation of a different state. The collection agency could not. Although marketplace lenders say they connect borrowers and investors, many use a bank to write the loan, piggybacking on their exemption. The lower court questioned that practice and the Supreme Court has declined to ride to the industry's rescue.

Contagion is spreading. In a recent lawsuit, a Lending Club borrower in New York claimed he was wrongly charged 30 per cent when the state set a ceiling of 16 per cent. In trying to reassure, Lending Club has sown some confusion. It claims it would be unaffected by the Madden decision but says it should be struck down, then says it has tweaked its relationship with its bank partner to comply. These are not entirely consistent statements.

The reluctance of the Supreme Court to step in does not mean the model is doomed. Federal lawyers clearly state the lower court got it wrong. A national bank can rely on its home state's lack of usury cap, even when a loan is sold. There is no reason to think the original decision is anything but an aberration.

Reasons to sell the stock include: Lending Club falsifying loan dates, ousting a chief executive who the company says boosted volumes with family loans; postponing its annual meeting because it was unable to give shareholders a complete report, and suffering an imbalance between supply and demand for credit. There is no need to add to the list.

BCA Marketplace: risk not reward

BCA Marketplace likes to style itself the Amazon of used cars. But Amazon is not in the business of storing lemons. Over the past 15 months, BCA managed to squeeze £7.7m of profit out of £1.2bn of revenues. The picture becomes somewhat rosier when you remove non-recurring costs of £65.2m, mostly tied to acquisitions. Its business model, however, is strongly susceptible to cyclical fluctuations and margins would prove rather thin in the face of a possible slowdown. The company's business model relies on two main channels. The website webuyanycar.com gives them and other buyers access to cheap cars, while remarketing channels in the UK and internationally allow BCA and other sellers to sell their inventory. When BCA facilitates a car deal between third parties, it collects a fee from both sides. Otherwise, it acts as a dealer, buying and selling cars and carrying the risk of a loss in the meantime.

Last year BCA sold 172,000 such "we buy any car" vehicles as a dealer. The company reports that they spent an average of 10 days in inventory. Inventory depreciation was as much as a quarter of the £72.9m in pre-acquisition profits. In a downturn, cars remain in inventory longer before being sold, and values drop faster as potential buyers become less free with their wallets.

The company does not disclose separately which part of its total revenue derives from fee-only transactions as opposed to the dealer side, although it reports that the cost of the cars it sold amounted to 73 per cent of total revenue. That's a lot of lemons to store while waiting for a buyer.

At least until very recently, car sales were buoyed by consumer confidence and easy credit. The company wants to pursue an acquisition-driven growth strategy. But unless BCA can generate more stable fee income and higher resale margins in the dealer business, owning the stock will be more risk than reward.

South Korea: won love

One country's woe can be another's bounty. No, not the UK and its erstwhile EU partners but Japan and South Korea. As the former fails to halt the steady appreciation of the yen, the relative appeal of South Korea improves, reversing a multiyear trend.

The winners from this will not be the usual suspects. Exporters face an unclear outlook given post-Brexit uncertainty. Instead, the cheaper won should attract foreign shoppers and boost domestic consumer stocks such as AmorePacific and LG Household and Healthcare as tourist arrivals pick up — notably from China.

Last year, as the yen touched decade lows of 125 to the US dollar, Chinese tourist numbers to Japan doubled to 5m, peaking in July and August. This year, the currency is stronger and the growth in tourist arrivals has slowed.

South Korea, meanwhile, is becoming a more attractive destination. In 2015, Chinese tourist numbers were static at 6m; Middle East Respiratory Syndrome hit the country particularly hard over the summer months. Arrivals this year rose 14 per cent for the January to May period. Based on pre-Mers trends, CLSA, the Hong Kong-based broker, reckons that Chinese visitor numbers to South Korea could double over the summer.

There is other good news for domestic spending. Yesterday, South Korea said it would implement a $17bn stimulus package to boost economic growth because the government was worried about risks to global growth after Brexit. South Korea's exposure to the British economy is limited — goods and services exports to the UK account for just 4 per cent of GDP, according to Standard Chartered.

The new fiscal boost, which adds to $13bn spent last year, will include tax rebates for home appliances and upgrading diesel cars.

If all that fails there is still further hope: South Korea's interest rates have room to come down. There, too, Japan has less room for manoeuvre — its rates are already negative.

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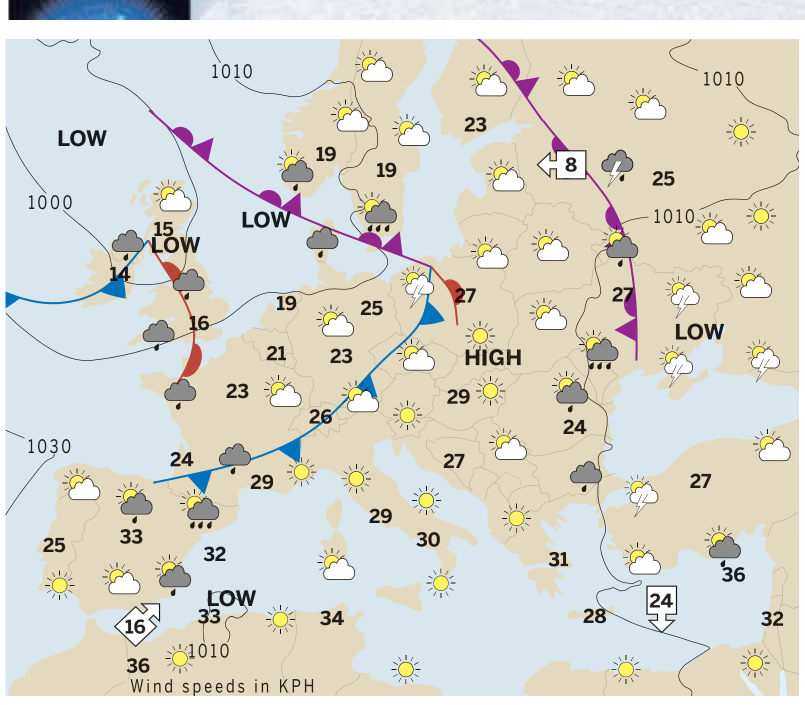
WEATHER



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

Today's temperatures Maximum for day °C

Abu Dhabi	Sun	43	Malta	Sun	29
Amsterdam	Cloudy	19	Manila	Thunder	30
Ankara	Thunder	27	Miami	Thunder	32
Athens	Sun	31	Milan	Sun	31
Bahrain	Sun	39	Montreal	Cloudy	23
Barcelona	Fair	27	Moscow	Fair	25
Beijing	Fair	30	Mumbai	Thunder	29
Belfast	Rain	15	Munich	Fair	25
Belgrade	Sun	27	Naples	Sun	30
Berlin	Thunder	25	New York	Fair	29
Brussels	Cloudy	19	Nice	Sun	26
Budapest	Sun	29	Nicosia	Sun	36
Cairo	Sun	36	Oslo	Shower	19
Cardiff	Rain	16	Paris	Fair	23
Chicago	Sun	25	Prague	Fair	25
Cologne	Fair	21	Reykjavik	Cloudy	13
Copenhagen	Thunder	19	Riga	Fair	24
Delhi	Fair	38	Rio	Fair	25
Dubai	Sun	42	Rome	Sun	29
Dublin	Shower	16	San Francisco	Sun	20
Edinburgh	Rain	15	Singapore	Fair	33
Frankfurt	Fair	25	Stockholm	Fair	21
Geneva	Sun	28	Strasbourg	Fair	26
Hamburg	Shower	20	Sydney	Sun	17
Helsinki	Sun	23	Tokyo	Rain	25
Hong Kong	Thunder	31	Toronto	Sun	25
Istanbul	Thunder	28	Vancouver	Sun	21
Lisbon	Sun	25	Vienna	Sun	29
London	Rain	17	Warsaw	Sun	27
Los Angeles	Sun	28	Washington	Fair	29
Luxembourg	Fair	21	Zagreb	Sun	29
Madrid	Fair	33	Zurich	Fair	26

CROSSWORD
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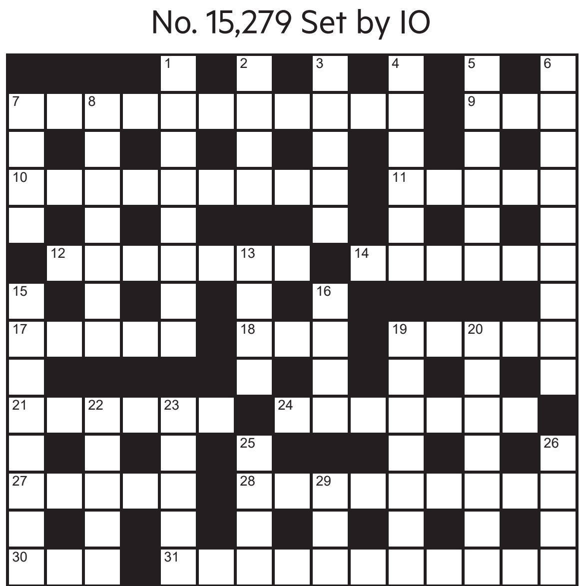
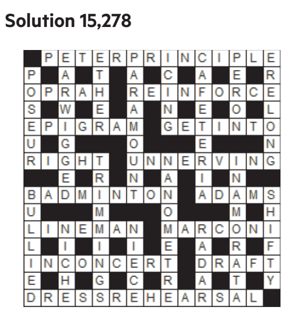


JOTTER PAD

ACROSS
7 Turning up in woman's top I borrowed from 14 21 Inn? (6,5)
9 A general rule, exceptions show (3)
10 Essentially better without officer, company's individually prepared for service (2,7)
11, 8 Terribly bad advice to spend a thousand on amateur footballer (5,7)
12, 30 You are inclined to take in when and where Krays operated (3,4,3)
14, 21 A ring through the 24's frock-coat (6,6)
17 Eastern porter that's infused with a malt (5)
18 Number three's number two drama (3)
19 The elderly view Vatican City will (5)
21 See 14
24 By chance, affliction heading to 12 30 address that's familiar (3,4)
27 The Sage of Cricklewood read about pricks (5)
28 Working metal, soldier's Going West, Young Man (9)
30 See 12
31 Wound up in Detroit after private secretary split (11)

DOWN
1 See 16
2 See 26
3 Union out of line waiting to get new and powerful man on board (5)
4 Pathetic offer (6)
5 What's essential to little Constance is extended split (6)
6 See 19
7, 13 A little tipple (as in *gallon*) will be agreeable (8)
8 See 11
15 Court of Appeal's run out of soap we hear (3,6)
16, 1 Character from TV movie – reportedly it's about the world of Dickens (4,8)
19, 6 Oddly 5 and 31 sprinter-turned-chaser (8,9)
20 Train's stopping point is not at Barking (7)
22 To mug up on detailed plan B is part of the formula for it (6)
23 Approaches Navy to get involved . . . . (3-3)
25 . . . . to unjustly take pedalo – this might be dual-purpose (5)
26, 2 Bird said ". . . . no time to stop for a natter . . . ."? (8)
29 Miss Bergman is missing in this 15x15 space? (4)

Solution 15,278



Companies & Markets

FINANCIAL TIMES

On the edge China property chief's future hangs in balance
INSIDE ASIA, PAGE 16

Sharp Corp Japan	Toyota Motor	Cathay Pacific	Euro/Sterling	Xetra Dax	Gold	Dollar/Yen	Brent oil
7.37%	3.42%	2.52%	0.4%	1.9%	$10	0.7%	2%
¥102.0	¥4,975.0	HK$10.82	£0.8289	9,447.28	$1,313	¥102.64	$48.10

Lending Club slashes jobs as scandal hits loan demand

- Founder embroiled in new allegations
- Review focuses on valuation of assets

ALISTAIR GRAY — NEW YORK

Lending Club, the US online lender, will cut about 12 per cent of its staff as it attempts to deal with a scandal that triggered the abrupt departure of its founder, who is embroiled in new allegations of questionable practices.

The Silicon Valley-based fintech group said that it would "realign" costs to cope with lower loan demand and promote a company insider to chief executive as it sought to draw a line under the affair.

The exit in May of Renaud Laplanche, chief executive, caused its shares to fall sharply and undermined investor confidence in the fast-growing online lending industry.

Lending Club, whose board members include former Treasury secretary Lawrence Summers and ex-Morgan Stanley chief executive John Mack, yesterday provided new detail of the questionable practices that precipitated the turmoil.

The company alleged Mr Laplanche and three family members "inappropriately" borrowed from Lending Club at the end of 2009 to "help increase reported platform loan volume".

The company made $25,000 in revenue from 32 loans, which were worth a total of $722,800. Lending Club added it was confident this was a one-off, however. An internal review also showed a company subsidiary failed to follow accounting standards in its valuation of assets. The company said it would repay $800,000 to investors.

Lending Club said that Scott Sanborn, who joined the company six years ago and ran it on an interim basis after Mr Laplanche's departure, would take the job on a permanent basis. Mr Sanborn was expected to provide an update for investors at an annual meeting yesterday, which had been rescheduled from earlier in the month.

Mr Laplanche resigned after the discovery of a "violation of the company's business practices". An internal inquiry found that documentation had been falsified when selling a small package of loans to an investor.

The US Department of Justice and New York's Department of Financial Services are investigating the company.

Lending Club, which is chaired by the former Citigroup chief executive Hans Morris, yesterday revealed the extent of the hit to its business so far. Loan originations in the second quarter would be about a third lower than in the first, the company said, adding that 179 jobs would be cut.

The company said investors were returning to its platform "since pausing in early May" but added "that fully restoring investor confidence may take time". It had undertaken a "comprehensive review of its controls, compliance and governance" and retrained employees on ethics and compliance.

Brian Korn, chair of the digital finance and marketplace lending practice at the law firm Manatt, Phelps & Phillips, said investors may have preferred an outsider as chief executive.

"He seems like a very capable executive," he said of Mr Sanborn, but added: "By [the company] essentially picking Renaud's handpicked successor, there is a possibility that it could be more of the status quo."

Lending Club shares, which had lost about 60 per cent so far this year, rose 3 per cent to $4.43.

Lex page 14

Chill wind Siemens puts brake on export plan for UK turbine blades as it awaits EU clarity

PILITA CLARK — LONDON

Siemens has warned its plans to export wind turbine blades from the UK will have to be put on hold because of last week's Brexit vote.

The German industrial conglomerate said the EU referendum decision would not affect its plans to employ 1,000 people at a £160m plant in Hull, which is due to start producing blades for the UK's offshore wind farm industry this year. But a long-term goal to export blades to Europe and beyond was now uncertain, said Juergen Maier, the company's UK chief executive.

"In order to do that we need to understand what our export relations are with the EU," he said, explaining it was not clear if existing trade links with Europe would continue. Nor was it known how other trade deals arranged through the EU with non-European countries would fare. "It could be that we end up with tariff-free trade on those blades to the EU and to other countries, but I don't know," Mr Maier told the Financial Times.

Siemens' 2014 decision to invest in Hull was a huge boost for the Humber region. David Cameron, the prime minister, said at the time it was "a massive vote of confidence in our long-term economic plan".

Short View

Dan McCrum

Let's jump ahead to where the world is going. In Japan, which has battled deflation for two decades, many consider the prospect of regular rises in consumer prices to be dead. Culturally, economically, shaped by the preferences of a swelling population of old people living on pensions and savings, inflation has vanished.

The currency has also been rising in value, as the global desire for safety after the UK voted to leave the EU has accelerated the trend of the past year — a sign, perhaps, that the market doubts the effectiveness of policy from the Bank of Japan. Strategists and investors argue more must, and will, soon be done.

Yet if Haruhiko Kuroda, governor of the central bank, really wants to create inflation then he should be able to do so with the stroke of a single key: delete.

The BoJ has accumulated about a third of outstanding Japanese government bonds and committed to buying ¥80tn every year until inflation is resurrected. Were it to carry on at that pace, the Japanese government bond market could disappear early in the next decade, depending on spending habits of other parts of the government.

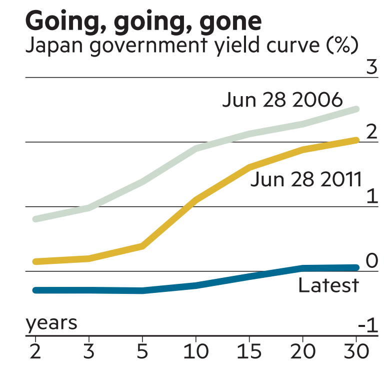
Indeed, the point may be that for all the independence of the people running them, central bankers are a part of government just like civil servants, police and generals. Japan is turning its debt into money by having one arm of the state lend to the other. The result is likely either to be the desired revival of inflation, the removal of what some have long warned is a teetering tower of debt, or perhaps both.

Cancelling debts might be extraordinary, but is it any more than what has already been tried? Japan led the way in the past. It was first in the modern era to take rates to zero, in 1999; first to introduce quantitative easing, in 2001; and first to experiment with taking credit risk two years later.

Japan's bond market, meanwhile, has already all but disappeared in one sense: yields have fallen through zero. Switzerland and much of Europe have already followed suit in this regard and the UK, as markets react to Brexit, is heading in the same direction.

This is the way ahead. In a world where politics is radical, monetary policy will surely not be far behind.

Going, going, gone
Japan government yield curve (%)



Source: Thomson Reuters

Japanese government bond yields have fallen through zero, with the result that the market has all but disappeared

dan.mccrum@ft.com

Nestlé picks outsider to sweeten offerings

Nestlé's choice of an outsider — Ulf Mark Schneider from Fresenius — as its next chief executive reflects the need for fresh thinking at a company whose products range from coffee to cat food, together with specialist health, milk and skincare brands.

Analysis ▸ PAGE 18

Ex-BP chief Browne warns oil groups must face climate issues or risk collapse

KIRAN STACEY — LONDON
ED CROOKS — NEW YORK

Oil companies could go bankrupt if they do not address the risks created by climate change and invest more in renewable energy, according to John Browne, the former chief executive of BP.

He warned the big oil and gas groups could go the same way as Peabody Energy, the world's biggest private sector coal producer, which filed for bankruptcy protection in April.

Peabody is the largest of several US coal producers to have gone bankrupt after a slump in demand for their product, as western countries switch to cleaner fuels to cut their carbon dioxide emissions. Speaking to the Financial Times, Lord Browne said: "If society is saying it is time to change our energy mix, I do think the big players should be involved in the change. If they are not involved in that change in a productive way, they will be made to do so."

He added: "Traditional energy businesses should reflect carefully on the bankruptcy of Peabody coal. Great companies do get into difficult times when they have a product that people don't want."

Lord Browne made a name for himself as BP chief executive between 1995 and 2007 by pioneering its shift towards renewable energy, and rebranding the company as "Beyond Petroleum".

Under that strategy, BP invested heavily in both solar and wind power. But when he left, BP reversed much of that strategy. In 2011, it exited its solar business, despite strong sales of panels, saying it could not make any money out of this operation. Lord Browne said he had been disappointed to see this reversal.

He also accused large energy groups of being seduced by a high oil price into focusing their operations on fossil fuels.

"With oil at $100 it is tempting to say: 'Oil is where the future is and nothing can compete with it'," he said. "It turns out that was not true, partly because the cost base went up so much that it meant returns in oil and gas were not what they were expected to be."

From black to green page 9

Companies / Sectors / People

Companies

Sectors

People

COMPANIES

Retail

Ikea recalls 29m drawers after deaths

Move comes amid US push to reduce tip-over accidents with furniture

LINDSAY WHIPP — CHICAGO

Ikea is recalling 29m chests of drawers in North America after three children died from the furniture toppling on to them over the past two years.

The recall of Malm and other designs comes amid a big push by the US Consumer Protection Safety Commission to reduce the number of children getting killed due to furniture and television tip-over accidents in the country, which now reaches one every two weeks.

Last year Ikea introduced a free wall anchoring kits with many of its dressers, after reports of two deaths. However, subsequently a 22-month-old child died in February this year after an Ikea chest tipped over on to him. The chest had not been secured to the wall.

"We have no information of any tip-over incidents with a properly anchored chest of drawer," Ikea said. "This is why we are committed to raise awareness among consumers of the tip over risks and how to prevent them."

The CPSC said that in addition to the deaths, there have been reports of 41 incidents of Ikea Malm chests tipping over and 17 injuries, all children aged between 19 months and 10 years old. In addition, there have been reports of 41 incidents of other Ikea chests toppling over since 1989, with 19 injuries and three deaths, according to the CPSC.

The recall could prove damaging to Ikea's reputation in the US and Canada, an important market for the company, an analyst said.

The company has 3.8 per cent of the furniture retailing market, trailing Bed, Bath and Beyond, in an extremely fragmented market, according to Euromonitor data.

Dean Crutchfield, an independent branding expert, said that just because the deaths happened in North America, the company should be recalling the chests elsewhere in the world as well.

He said it was not enough that the manual in the UK, for example, advises customers to screw the chest against the wall.

'What has happened is an utter outrage for a brand that is about inclusion and is so widely recognised'

"[What has happened is] an utter outrage for a brand that is about inclusion, warmth and is so widely recognised," Mr Crutchfield said. "It can destroy a reputation. It says something about the management of Ikea that reflects on its brand."

US CPSC Chairman Elliot Kaye said that Ikea had co-operated with the organisation and promised to sell only dressers that comply with the most recent performance standards. He warned others should take heed as well.

"[Any company] failing to do so should pay close attention to the details of this recall, as they should expect to be hearing from us. CPSC will seek recalls of other brands that pose an unreasonable tip-over risk to innocent children."

Ikea had repeated its safety warning earlier this year about the accidents involving its Malm chests.

Technology. Governance

Tesla gears up for legal fight over SolarCity bid

Ties between electric car maker and solar panel group spark potential conflicts

RICHARD WATERS AND SUJEET INDAP

Elon Musk, head of Tesla Motors, had a ready answer last week to any suspicions that his proposed $2.5bn purchase of SolarCity, where he is chairman, amounts to a bailout of a struggling piece of his empire.

The companies, he said, were "going beyond what's legally required . . . to make this not just legally correct [but also] morally correct".

SolarCity, is trying to convince investors it can live up to that claim, despite a web of connections between the two boards that threaten to turn the deal into a corporate governance nightmare.

On Monday the rooftop solar panel company named a committee of two of its eight directors to take an independent view of its options. That followed decisions by five to recuse themselves from voting on any Tesla offer.

The fact that even one member of SolarCity's special committee is a former Tesla director underlines the challenge of devising an arm's length transaction and makes shareholder lawsuits inevitable, say legal experts.

Because Musk dominates the board 'they're risking this being a controlling shareholder' situation

Of Tesla's seven directors two are free of ties to SolarCity. Just one of SolarCity's eight directors can claim to have no Tesla connection.

Announcing the deal, Mr Musk said he and Antonio Gracias, who are directors of both companies, would recuse themselves from board votes on the transaction. Any deal would depend on a majority vote of disinterested shareholders of both groups.

But the relationship goes further and has led to more efforts to reassure investors. The connections between the boards reflect family, investor and management ties Mr Musk has fostered. He and his brother, Kimbal, who is also a Tesla director, are cousins of Lyndon and Peter Rive on the solar company's board.

Further overlaps reflect how Mr Musk's enterprises have been financed. Venture capitalists Steve Jurvetson and John Fisher, of Draper Fisher Jurvetson, sit on the Tesla and SolarCity boards, respectively. Nancy Pfund of DBL Investors, once on the Tesla board, remains a director of SolarCity.

SolarCity is 22% owned by its chairman, the Tesla boss Elon Musk (below)
— Michael Nagle/Bloomberg

Executive overlaps complete the picture. Brad Buss, former SolarCity chief financial officer, sits on Tesla's board, while the electric car company's chief technology officer, JT Straubel, is a director of SolarCity.

Mr Musk could be deemed to have control over SolarCity, even though he owns only 22 per cent of the stock. "Because of his domination of the board, they're risking this being a 'controlling shareholder' [situation]," says one corporate law expert.

Though the bid is not a classic management buyout by a majority shareholder, Tesla is likely to be girding for legal challenges in Delaware, where both companies are incorporated, according to legal observers. MBOs have long been perilous because company officials hold positions — as shareholders, management and bidders — that can lead to real or perceived conflicts.

A 2014 ruling by the Delaware Supreme Court, however, has created a framework where transactions involving controlling shareholders can pass muster. In a shareholder action challenging the 2013 MacAndrews & Forbes buyout of affiliate M&F Worldwide, the court said if a board implemented certain procedures it could face the more lenient standard of review called "business judgment". The company would avoid the strict "entire fairness" legal standard, where both "fair dealing" and a "fair price" must be demonstrated.

Elements to qualify for the less stringent standard include an independent board committee with its own lawyers and bankers that can negotiate freely, and majority approval by unaffiliated shareholders.

On Monday SolarCity created a committee with two board members, including Ms Pfund. The committee has hired the Skadden law firm and Lazard, the investment bank, as advisers and has said it will examine all options for SolarCity not limited to a Tesla buyout.

The steps set out in the M&F precedent do not always prevent deals from turning sour. The 2013 MBO of Dell sailed through fiduciary duty challenges in Delaware. However, last month, in a separate "appraisal" action, the court found the deal price short-changed dissenting shareholders of the PC maker by 25 per cent.

A more troubling case involves the 2013 MBO of Dole Foods. Despite praise for the independent committee's advisers, fraud by the chief executive and general counsel — including actions to hurt the stock price so it could be bought cheaply — led to a $148m judgment against the two.

CtW Investment Group, which represents trade unions in the US, has said it is planning to rekindle its activism over the way the Tesla board operates. It said it had "governance concerns with how the [SolarCity] deal was negotiated, and how an already deficient board will provide effective oversight of the ever more complex and ambitious [Tesla]."

INSIDE BUSINESS

ASIA

Tom Mitchell

China Vanke's chief laughs off adversity as market forces line up

Even as his life's work hangs in the balance, Wang Shi can still crack a joke.

After a large shareholder called for his resignation at the weekend, the founding chairman of one of China's biggest property companies said that the response had been immediate.

"This morning I received phone calls from three headhunters," Mr Wang told a gathering of investors in China Vanke on Monday. "I just smiled. I am still the chairman so don't you worry. We will get the job done."

Mr Wang, 65, is not your average Chinese property executive. Outside the C-suite, he is an accomplished mountaineer and social media sensation whose love life is tracked by the tabloids.

A former government official, Mr Wang began his business career in the early days of China's transition to a "socialist market economy". The predicament in which he now finds himself says much about how China Inc has changed since then — and the changes still to come.

Mr Wang stands at the edge of a precipice largely because of Vanke's unique shareholding structure. In a country with an often stark divide between state-owned enterprises and private sector companies, the property developer is neither fish nor fowl.

Vanke's chairman has long reported to a mix of public and private shareholders, most of whom seemed content to let him and his respected management team run the business. It is something they have done exceptionally well, transforming a small real estate developer from the southern city of Shenzhen into a national — and potential international — champion.

The developer has, in theory, been vulnerable to a hostile takeover since it listed on the Shenzhen Stock Exchange in the early 1990s. But corporate raiders were never really welcome in China's rapidly evolving business climate. Hostile takeovers were just not the done thing in a country where the ruling Communist party values stability above all else.

Mr Wang is an accomplished mountaineer and social media sensation

But in recent years the landscape has started to change. In a bold reform document issued three years ago, the party decreed that market forces should play a "decisive" role in the economy.

This coincided with the emergence of private sector investment groups such as Baoneng, Vanke's largest shareholder and Mr Wang's nemesis. On Sunday, it was revealed that the insurance group had called for Vanke's board to resign en masse. Also based in Shenzhen, Baoneng is on the prowl for assets that complement its long-term liabilities. Other companies in this category include Beijing-based Anbang Insurance, which also holds a sizeable stake in Vanke.

Baoneng initially seemed content to build up a large but passive position in Mr Wang's company. Mr Wang, however, appears to have discerned a threat against which he had no immediate defence.

In December, he labelled Baoneng a "barbarian" as he sought to shore up support from Anbang and China Resources, the state-owned group that is Vanke's second-largest shareholder.

Vanke's shares, most of which are traded in Shenzhen, were suspended in December, temporarily halting Baoneng's advance. Mr Wang has used the breathing space to court another potential white knight, Shenzhen Metro Group. He has proposed a transaction with the state-owned subway operator that, though principally aimed at countering Baoneng, would dilute all of his shareholders.

That has angered China Resources, which was initially wary of Baoneng. If the two shareholders decide that the enemy of their enemy is their friend, they could use their combined 40 per cent stake in Vanke to defeat Mr Wang's poison-pill strategy.

In addition to maintaining his sense of humour amid the drama, Mr Wang appears philosophical about it all. In a social media post at the weekend, he noted that "sometimes the heavens will rain and brides will run away" — a flowery way of saying, in effect, whatever will be will be.

The stakes are in fact rather higher than his casual tone suggests. The stage has been set for a remarkable showdown that will test the resolve of the Communist party to stand aside as market forces, depending on its viewpoint, either work their magic or wreak their havoc.

tom.mitchell@ft.com

Travel & leisure

Airbnb sues San Francisco in fines dispute

LESLIE HOOK— SAN FRANCISCO

Airbnb is challenging San Francisco to fine it for allowing hosts not registered with the city to list their rooms on its website.

The suit, the first by the accommodation rental company against a city, highlights how big companies in the so-called sharing economy in Silicon Valley are striking a more confrontational tone with regulators.

Last month Uber and Lyft, the ride-hailing companies, pulled out of Austin, Texas rather than comply with rules requiring drivers to be fingerprinted.

Airbnb has often faced opposition in San Francisco, its home town, including a referendum last year on a measure that would have restricted short-term rentals. The measure failed narrowly.

The suit challenges San Francisco's decision to fine Airbnb $1,000 a day for each listing that has not gone through formal registration. The company argues the process is "broken" and can take months to complete.

Airbnb alleges the rules violate the Communications Decency Act, which insulates internet platforms from being liable for the content they publish.

"This is an unprecedented step for Airbnb and one we do not take lightly," the company said. "[We] hope the city will reconsider its current path."

Valued at $25bn, Airbnb is one of the most valuable start-ups in Silicon Valley and has raised funding from investors including Sequoia Capital, the venture capital firm, and General Atlantic, the investment group.

The company has increased its public policy efforts, including the launch of a network of activist clubs across the US that aims to mobilise hosts and guests on issues important to the company.

Airbnb has had some notable regulatory wins, such as a deal to enable hosts to collect and pay tax in Paris, but some of its biggest markets, including San Francisco and Manhattan, remain key battlegrounds.

Last week a French hoteliers' association lodged a formal complaint against accommodation-rental platforms, arguing that they competed unfairly.

The company has also been struggling to combat racist behaviour on its site, after a Harvard University research study found that guests with "African-American names" were less likely to be accepted by hosts than those with "white names".

Media

Virgin cancels deal to buy UK group over Brexit

SARAH GORDON

Sir Richard Branson's Virgin Group has called off a deal to buy a UK company employing 3,000 staff, as he warned of the impact on jobs and investment of a Brexit.

Sir Richard told ITV's *Good Morning Britain* that Virgin had lost a third of its value as a result of the referendum outcome, but he later clarified that he was referring to the share price slide since Friday at Virgin Money, the listed UK bank.

Virgin Money shares have fallen from £3.65 on Thursday to £2.15 today.

Virgin Group said Sir Richard was "deeply concerned about the impact leaving the EU is having and will continue to have on markets and businesses, including Virgin".

"Virgin Money shares have already dropped by a third — this is just one example of the disruption exiting the EU brings. All banks will be less able to lend money to support new and growing businesses, which will mean more unemployment and weaker communities," the group said.

The company confirmed it had called off a deal to buy a UK company, which it did not name, as a result of the referendum outcome.

Economists have predicted that many businesses will postpone investments in the UK until they have greater clarity about the country's future relationship with the EU. It did not give a value for the cancelled deal.

Sir Richard, the UK's most recognised business person, is pushing for a second referendum vote and said on Monday that the market turmoil would tip Britain into a recession.

"Based on the misrepresentation made by the Leave campaign, Parliament needs to take the petition of more than 3m people to call for a new referendum seriously," he wrote on his blog. "The alternative is to watch a rapid decline of Britain's health and well-being."

The 65-year-old businessman was a vocal supporter of Britain remaining in the EU during the run-up to the referendum, although he turned down a formal role at Britain Stronger In Europe, the official campaign.

Sir Richard, who lives in the low-tax British Virgin Islands, has a net worth of almost $5bn, according to Forbes.

Additional reporting by Robert Cookson

See Lex

COMPANIES

US settlement closes latest chapter in saga of VW's diesel emissions scandal

Even after latest $10bn deal the carmaker faces probes that could lead to more fines

PATRICK MCGEE — FRANKFURT

The latest chapter in the Volkswagen diesel emissions scandal ends with a cliffhanger.

Yesterday Europe's largest carmaker agreed with US authorities to pay up to $10.03bn to buy back or fix almost half a million cars equipped with software to cheat during official emissions tests.

VW has also agreed to pay a $2.7bn fine to environmental authorities for excess pollution, invest $2bn in green vehicle technology and offer $603m to 44 US states and two other territories to resolve legal claims.

But the settlement reached in the US — where regulators uncovered the VW scandal — is not the end of the story, warn analysts. "This is a major win and a step in the right direction, but the fat lady is not warming her vocals," says Mike Tyndall at Citigroup.

In April VW set aside €16.2bn to pay for the costs of the affair, prompting the German company to report the biggest annual loss in its history for 2015. A big risk is that VW has to increase this number, although it says there are no plans to do so.

If US owners of cars made by VW group accept the terms of the deal, that will settle a class-action lawsuit relating to 475,000 2-litre diesel vehicles that were fitted with illegal defeat devices to understate emissions of harmful nitrogen oxides in official tests.

But VW still faces civil and criminal investigations in the US and elsewhere that could lead to fines, and is under pressure in the EU to pay compensation to owners of cars.

> 'This is a major win and a step in the right direction, but the fat lady is not warming her vocals'

The US Department of Justice said the settlement only "partially" resolved claims under the country's clean air act, and the deal has no bearing on the civil lawsuit it filed against VW in January.

Nor does the settlement include 85,000 3-litre diesel vehicles that were also fitted with defeat devices.

"While this announcement is an important step forward, let me be clear: it is by no means the last," said deputy attorney-general Sally Yates yesterday. "We will continue to follow the facts wherever they go."

In Europe, where 8.5m VW group cars were fitted with defeat devices, a risk for the company is that the US settlement is used as a precedent to demand similar treatment.

Elzbieta Bienkowska, the EU commissioner responsible for industry, has called for "comparable" compensation to the US for European owners of VW cars fitted with defeat devices to restore customer trust.

In the US affected car owners will be given a minimum of $5,100 each in compensation by VW. If that were applied to the affected cars in Europe, VW would have an additional bill of $43bn.

But that figure is not considered realistic by analysts.

"There is no way [VW] would agree to anything approaching that figure," says Stephen Reitman, an analyst at Société Générale.

VW has argued that the US settlement is unique, because limits on NOx emissions are tougher in the US than in the EU.

As a result of the EU's less onerous rules, fixing VW's European cars affected by the scandal is straightforward compared with doing so in the US. VW has already received German regulatory approval to remedy 3.7m cars in Europe.

Moreover, VW is under limited pressure as far as a consumer backlash is concerned following the scandal.

From January to May, the 12-brand group that includes VW and Audi delivered 4.2m cars worldwide, 0.8 per cent higher than in the same period last year. In Europe deliveries rose 3.7 per cent.

Mr Tyndall says he is confident the €16.2bn that VW has set aside will cover all scandal-related costs.

However, he admits there are big uncertainties: "They've done a mea culpa in the US — the rest of the world is open to debate."

He points out hedge funds are still trying to recover billions of euros in losses from Porsche, arising from market manipulation allegations first made in late 2008. The case has long weighed on the stock of VW, which owns Porsche.

Mr Tyndall's worry is not that VW's scandal costs will escalate per se, but that the affair "could drag on and on and on" like the Porsche case. Analysts at BNP Exane Paribas estimate that VW's scandal related costs could be as high as €23.7bn.

This calculation includes €2bn of civil fines and €2.5bn of criminal penalties in the US, plus €5bn of costs in Europe, split evenly between legal claims and efforts to restore trust with car owners by fixing cars and paying compensation.

A VW insider admits the company's €16.2bn provision only "partially" covers civil and criminal fines in the US and does not include legal claims in Europe. He adds that the company cannot be more precise because it does not know what these costs will be.

Chief among the factors that could put a cap on VW's costs is this: the $10.03bn set aside to buy back or fix cars in the US affected by the scandal assumes that 100 per cent of eligible owners sell their vehicles at their second-hand price immediately before the scandal breaking in September last year.

One person familiar with the matter estimates that up to 90 per cent of customers could choose to have their vehicle fixed, rather than bought back.

If the owner of an Audi with a September 2015 value of $44,000 accepts a fix, plus a $10,000 compensation payment, VW saves tens of thousands of dollars.

Multiply that by hundreds of thousands of cars and VW's bill drops "many billions lower", says this person. "You do the math."

See Lex

Key question
Who started the cheating?

The settlement reached with US authorities does not answer one of the most obvious questions arising from the Volkswagen diesel emissions scandal: who authorised equipping up to 11m VW cars with "defeat devices" to cheat in official tests?

The answer is not likely to be known until later this year, when Jones Day, the US law firm hired by the German carmaker to investigate the affair, is due to release its final report.

Jones Day is reporting directly to the US Department of Justice, which sued Volkswagen for "concealing facts" and engaging in "affirmative misrepresentations", when regulators were investigating the scandal.

That civil case brought by the justice department is distinct from yesterday's settlement and could involve fines against VW. An interim report by Jones Day had been expected in April, but VW cancelled it.

Public prosecutors last week launched a probe into Martin Winterkorn, who stepped down as chief executive after the scandal broke, and Herbert Diess, head of the core VW car brand, on suspicion of possible market manipulation.

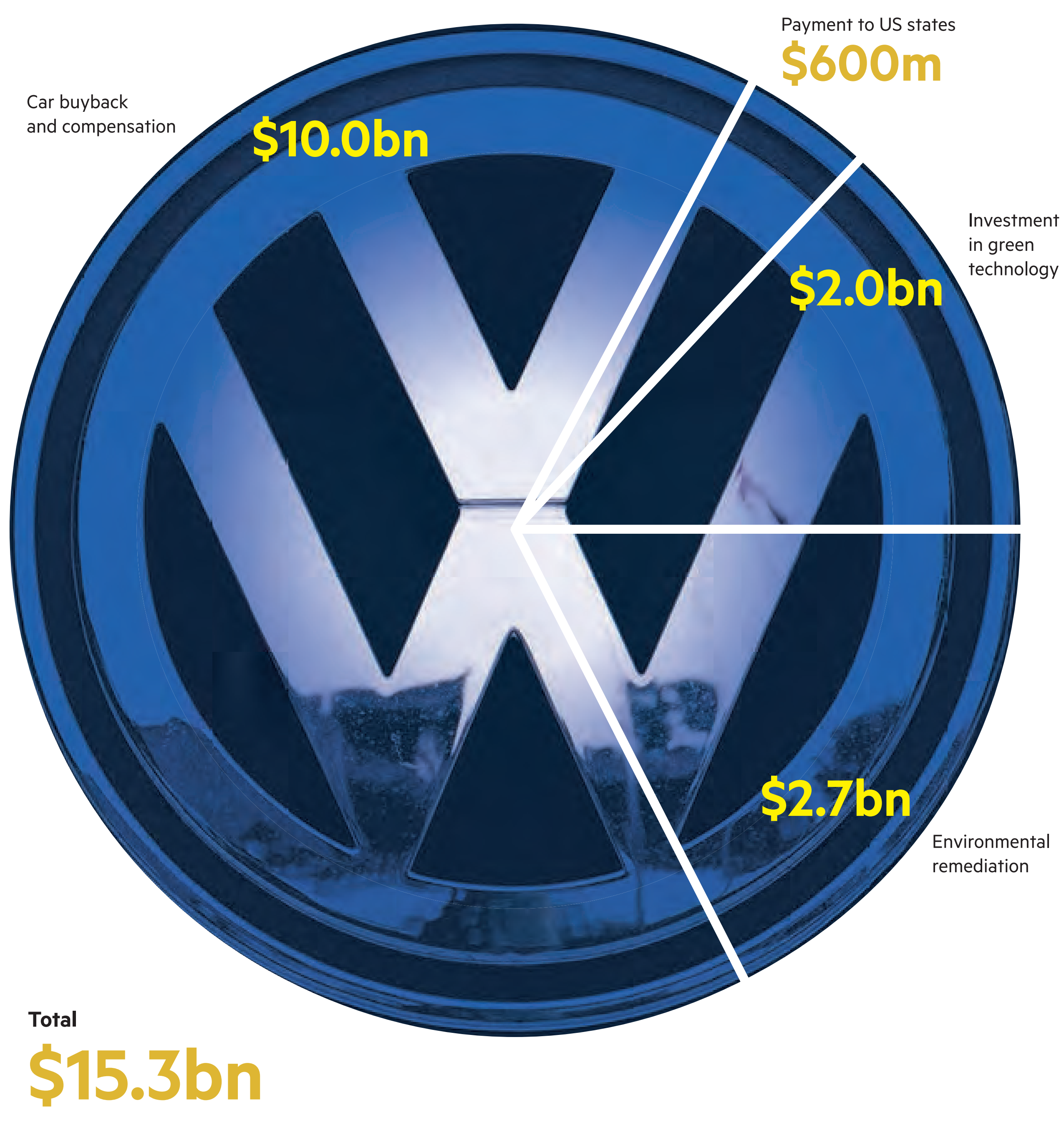
On the matter of which VW employees started the cheating, or who allowed it to go on, few details have been disclosed. At least 26 VW employees are being investigated.

$2.7bn
Fine VW agreed to pay to environmental authorities for excess pollution

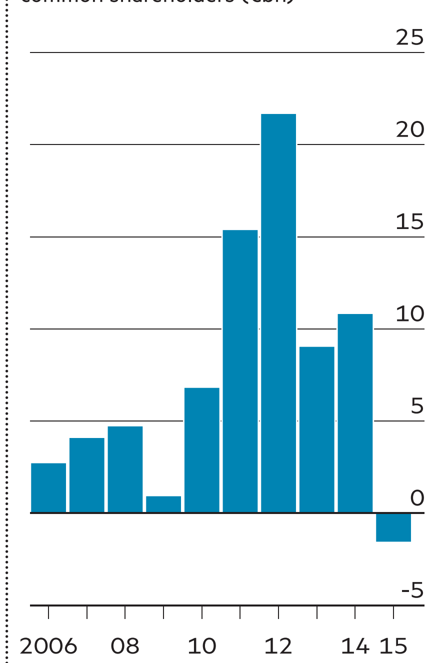
€16.2bn
Sum the German carmaker set aside in April to pay for the costs of the emissions scandal

Testing times

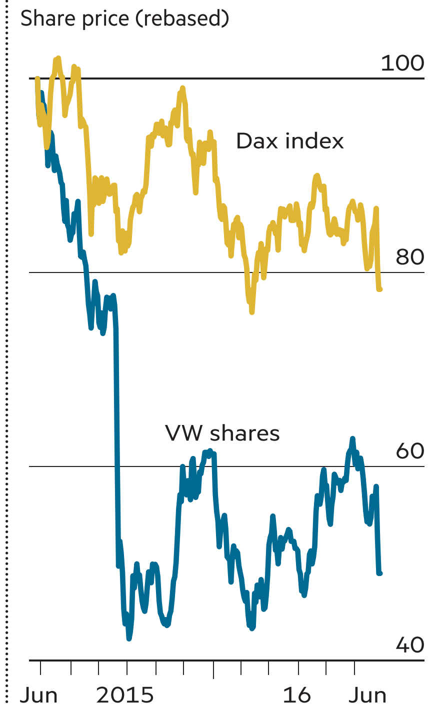
US settlement costs



Volkswagen profits
Earnings attributable to common shareholders (€bn)



Volkswagen stock performance
Share price (rebased)



FT graphic Source: company; Thomson Reuters Datastream
Photo: Dreamstime

Oil & gas

Norway fund excludes Cairn and Kosmos over Sahara exploration

RICHARD MILNE — OSLO
KIRAN STACEY — LONDON

Norway's $835bn oil fund has excluded Cairn Energy of the UK and Kosmos Energy of the US from its portfolio over their continuing investment in oil exploration off the coast of Western Sahara.

The world's largest sovereign wealth fund was one of the biggest investors in Cairn with a 2.85 per cent stake at the end of last year. It had a smaller 0.8 per cent stake in Kosmos, which is based in Dallas and has exploration licences in several African countries.

The oil fund decided to ban the companies from its investment portfolio, having found "serious violations of fundamental ethical norms" because of their oil and gas exploration off the disputed territory of Western Sahara on behalf of Moroccan authorities.

Cairn and Kosmos have been hoping for discoveries to establish a new oil province off the coast of western Africa with both groups also holding exploration licences in Senegal and Mauritania.

Cairn has a 20 per cent share of the project off the coast of Western Sahara, which is operated by Kosmos Energy. But the project has not operated for the past two years after an unsuccessful exploration well was drilled in 2014.

The two oil explorers join more than 110 companies that the Norwegian fund is excluded from investing in, including businesses involved in the production of tobacco, nuclear weapons and coal. The oil fund has also banned companies including Walmart, Rio Tinto and ZTE for specific violations.

Business involvement in the territory of Western Sahara has long been contentious because its ownership is disputed between Morocco and the Polisario Front, a movement calling for independence for the region.

Morocco annexed Western Sahara in 1975 when Spain abandoned it, but the Polisario Front, based in neighbouring Algeria, then waged a guerrilla war for independence. The UN brokered a ceasefire deal that provided for a referendum. But the vote has yet to be held and Morocco has said that the most it will grant is autonomy.

The oil fund based its decision to exclude the two groups on a recommendation from the independent council of ethics, a five-member panel appointed by Norway's finance ministry.

Cairn said it was disappointed by the decision. "Cairn has always acted in accordance with international law, which states that responsible exploration offshore Western Sahara, a UN designated non-self-governing territory, can occur in parallel with the UN-led discussion on the region's future."

And Kosmos said: "We fundamentally disagree with the council's assessment of our activities offshore Western Sahara, where we have spent considerable time on the ground working with local people to understand their views of oil and gas exploration.

"The council's decision fails to recognise that people in Western Sahara — whom we have met in hundreds of face-to-face conversations — want the economic opportunities that come from increased foreign investment."

But the council pointed to UN law on non-self-governing territories that says exploitation of natural resources in such areas can only take place in accordance with the wishes and interests of local people. It said that the groups had confirmed they had not had a dialogue with Polisario, which is recognised by the UN as the representative of people of that area.

Telecoms

Liquid buys South Africa's Neotel from Tata

JOSEPH COTTERILL — LONDON

Liquid Telecom, the group seeking to lay high-speed internet fibre cable across Africa, has bought the South African fixed-line operator Neotel in a deal that will create the continent's biggest broadband network.

The R6.55bn ($430m) sale by Tata Communications, Neotel's majority owner, would expand Liquid's African network from 24,000km of cable to 40,000km, it said yesterday.

London-based Liquid, which is owned by Econet Wireless, has focused on providing fibre broadband to Africa's fast-growing cities and surrounding areas.

It provides network services to some of the continent's big telecom groups, including MTN, Bharti Airtel and Vodafone. Last year, it said it was looking at listing in Europe in 2016.

"For the first time African companies will be able to connect with each other in a cost-effective and reliable way, all on a single fibre network," said Nic Rudnick, Liquid chief executive.

"We will be increasing investments into Neotel to cater for rapidly accelerating mobile and enterprise traffic, enabling us to launch exciting new products and services."

Royal Bafokeng, a South African black empowerment investment group, will be Liquid's partner in the deal and take a 30 per cent stake in Neotel.

Neotel was formed a decade ago as a second national fixed-line operator to challenge Telkom, the incumbent.

Vodacom, South Africa's biggest mobile-phone company, abandoned a two-year battle to buy Neotel in March, citing regulatory difficulties.

It had offered R7bn for the company when it announced its bid in 2014, part of a trend by mobile operators to add fixed-line assets.

Neotel's spectrum was seen as valuable for mobile-phone operators as they roll out 4G coverage in South African cities, but the group has struggled to compete with Telkom in the consumer market.

India-based Tata put the unit up for sale as part of efforts to reduce debts and clear out non-core assets.

"Liquid Telecom is the right partner for the next phase of Neotel's evolution," said Vinod Kumar, chief executive of Tata Communications.

"Convergence of technologies and services will be the key driver of growth across the globe, and this transaction will encourage inclusion and support the growth aspirations of the African continent."

Retail & consumer

Sales of consumer goods decline in China

Shoppers increasingly use online platforms to make purchases, report finds

GABRIEL WILDAU — SHANGHAI

Sales of daily necessities fell in China last year, a worrying sign for an economy relying on increased consumption to take up the slack for a slowdown in investment and exports.

Fast-moving consumer goods sales to urban consumers dropped 0.9 per cent year on year in volume terms, down from 0.1 per cent growth in 2014, according to a study by Bain & Company and Kantar Worldpanel. In value terms, FMCG sales grew 3.5 per cent, down from 5.4 per cent in 2014.

The report tracked trends in sales of packaged foods, beverages, personal care and homecare goods, which together account for 80 per cent of sales of FMCG.

Products aimed at blue-collar workers were hardest hit, with sales of instant noodles down 12.5 per cent and beer sales slipping 3.6 per cent in value terms. Sales of "value beer" fell more sharply than high-end brews.

The report blamed a drop in the working population, which has raised the share of low-income retirees in the overall population, for the sales decline. It also cited the shift in low-end manufacturing jobs to cheaper locations such as Bangladesh and Vietnam.

But other product categories continue to grow strongly. Make-up sales rose 15.5 per cent and skin care 13.2 per cent. "Despite the general malaise, some categories are making significant headway, highlighting how the performance of FMCG and other consumer sectors in China are operating at two distinct speeds: slow and fast," said the report.

Chinese consumers are also shifting their purchases from physical retailers to online platforms such as JD.com and Alibaba Group's Taobao, the report found.

Hypermarkets posted their first China sales decline last year. Hypermarket sales of FMCG in urban areas fell 0.2 per cent in value terms, with customer traffic sliding 4.6 per cent.

Foreign players such as Walmart and Carrefour are leading participants in China's hypermarket sector. UK supermarket chain Tesco struck a deal to merge its Chinese hypermarkets with local chain Vanguard, owned by state-owned China Resources, in 2013.

Beyond the headline sales decline, foreign consumer brands are losing market share in terms of product sales, as local rivals improve quality and distribution. Sales of local brands grew 7.8 per cent in 2015 in the categories covered in the reports, while foreign brands posted a year-on-year drop of 1.4 per cent. Procter & Gamble cited slowing China sales as a drag on growth last year.

Meanwhile, ecommerce sales rose 37 per cent to nearly Rmb4tn ($602bn), making China the world's largest ecommerce market. Baby products and skincare are the biggest sellers online, the report found.

Food & beverage. Fresh strategy

Nestlé picks outsider to help it adapt

Schneider will face three big challenges to Swiss group's position of global dominance

RALPH ATKINS — ZÜRICH
SCHEHERAZADE DANESHKHU — LONDON

For almost a century, chief executives at Nestlé, the world's largest food and drinks company, were chosen internally. When the going gets tough, however, even the Swiss producer of KitKat chocolate bars takes a break.

On Monday, the 150-year-old company said Ulf Mark Schneider would in January take over as chief executive of Nestlé, a company six times larger in market value than that of Fresenius, the German healthcare group he heads.

The last time Nestlé chose an outsider was in 1922, when a slump in demand for powdered milk after the first world war threw the company into losses.

Nestlé is far from a crisis this time. But the choice of an external candidate has highlighted a need for fresh thinking at a company whose products range from Nescafé coffee to Felix cat food, together with specialist health, milk and skincare brands.

Ulf Mark Schneider will take over as chief executive of Nestlé in January after 13 years as chief at Fresenius

Raising the bar: the last time Nestlé selected an external candidate to be its chief executive was in 1922
Denis Balibouse/Reuters

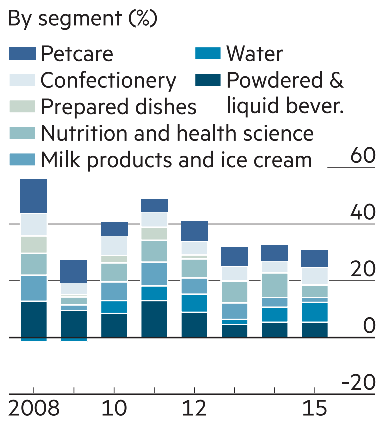
"Nestlé is seen as a traditional Swiss conglomerate but the company understands it has to change and the nomination shows its willingness to adapt," says Céline Pannuti, an analyst at JPMorgan.

Nestlé's global dominance faces three broad threats that Mr Schneider will have to address when he arrives in Vevey, on Lake Geneva.

The first is to the sales growth-based "Nestlé model". With the world economy weakening, the group has in recent years missed its long-term target of 5 to 6 per cent organic growth a year. For 2015, it posted a net profit of SFr9.1bn ($9.3bn) on the back of SFr88.8bn in group sales, with organic growth of 4.2 per cent. The second threat is the switch by consumers towards healthier foods, as shown in a waning trust in big brands and a fall in the share of "Big Food" in the overall market.

Nestlé organic sales growth

By segment (%)



Source: company

Under Paul Bulcke, chief executive since 2008, Nestlé sold off underperforming food brands, such as Jenny Craig, the weight loss business, its South African ice-creams division and PowerBar energy snacks.

The final threat is a pincer movement on Nestlé's core businesses from two privately owned competitors.

JAB, the investment group of Germany's billionaire Reimann family, has spent $30bn over the past few years building a coffee empire, including the $13.9bn acquisition last year of Keurig Green Mountain. As such, it is challenging Nestlé's premium Nespresso business and its mainstream Nescafé coffee.

Meanwhile in food, Nestlé is confronted by the growing strength of 3G, the US private equity group, which through acquisitions of Heinz and Kraft, has become the third-largest food and beverage group by sales after PepsiCo and Nestlé.

The threat posed by 3G was acknowledged last year by Peter Brabeck-Letmathe, Nestlé's chairman. 3G had "pulverised" the food market through "ruthless cost-cutting" that reduced operating costs in a way that was having a "revolutionary impact on all the other members of the industry", he told shareholders at the group's annual meeting.

Mr Brabeck-Letmathe signalled, however, that the Swiss company would confront the 3G challenge differently — by accelerating the transformation he started as chief executive from a Big Food company into one focused on health and wellbeing.

Mr Schneider's appointment suggests that approach will stay largely in place. As part of changes announced this week, Nestlé's "health sciences" and "skin health" divisions, each with annual sales of about SFr2bn, will be fully integrated, reporting to the new chief executive.

Nestlé aims to quadruple sales from its health sciences arm to SFr10bn over the medium term, and one of Mr Schneider's tasks will be to improve the efficiency and return on capital from investments made in this area, which sits between food and pharmaceuticals.

Analysts say Mr Schneider's record at Fresenius, where he was chief executive for 13 years, suggests he will strengthen financial discipline.

There is a risk of internal unrest triggered by the appointment of an outsider. Nestlé veterans such as Laurent Freixe, head of its US operations, and Chris Johnson, an American responsible for corporate services, had been tipped to become chief executive. Top-level management upheaval could result.

But investors saw the changes as positive. "Nestlé is in need of fresh legs strategically and Mr Schneider's track record is exceptional," wrote Martin Deboo, an analyst at Jefferies.

Technology

Japan's Line looks to raise $1.3bn in largest sector IPO of 2016

KANA INAGAKI — TOKYO

Line, Japan's leading rival to WhatsApp, has confirmed that it aims to raise as much as $1.3bn in a dual Tokyo-New York listing, sticking close to its earlier target despite market turmoil after the Brexit vote.

The global equity sell-off and price volatility that have followed the UK's vote to leave the EU have cast a cloud over the planned initial public offering at a time when investors are already questioning Line's growth prospects given Facebook's push into Asia.

However, the messaging app business, which is owned by Naver, South Korea's biggest internet portal operator, said yesterday it would sell 35m shares at a price range of ¥2,700 to ¥3,200 apiece, putting it on track for the largest IPO of the year so far in the global technology sector.

It has also kept to its mid-July date for the share sale.

With an overallotment option of 5.25m shares, Line could raise as much as ¥128.8bn ($1.3bn), giving it a market capitalisation of about ¥670bn — slightly higher than that of its South Korean rival Kakao with $5.2bn.

Line had set an indicative price of ¥2,800 per share on Monday when it announced its plan to list shares.

Following a two-year delay to the initial listings schedule, fund managers say global investor interest in tech start-ups has waned and risk aversion has intensified as markets assess the fallout from the Brexit vote.

Since the UK referendum on Thursday, the Nikkei Stock Average and the S&P 500 have declined more than 5 per cent. Line delayed announcing its price range by a day because of market turbulence.

"The risk tolerance of investors has declined in the post-Brexit market volatility," said Ikuo Mitsui, a Tokyo-based fund manager at Aizawa Securities.

"While Line has a dominant position in Japan and other parts of Southeast Asia, there are many competitors and it's hard to put a premium on the company's growth potential."

Line's messaging app, which was established in 2000, became popular in Japan after it was widely used in the aftermath of the 2011 earthquake and tsunami when telephone services were disrupted.

The group has a lucrative franchise built around its emoticons, and has expanded its presence to other parts of Asia.

Two-thirds of Line's 218m monthly active users come from Japan, Taiwan, Thailand and Indonesia.

It has struggled to penetrate US and European markets.

About 63 per cent of the new shares will be sold in New York, however, underscoring Line's ambitions to build its name outside Asia and challenge bigger rivals such as Facebook and WeChat, owned by Tencent of China.

Despite a 40 per cent rise in revenue last year on the back of advertising growth, Line has failed to make a profit for two of the past three years, with a net loss of ¥7.97bn in 2015.

Beverages

Rival tea makers wage war over intellectual property

DON WEINLAND — HONG KONG

Two rival makers of China's most popular canned soft drink have taken their "tea wars" to the courts, with one tea maker seeking what local media said would be the largest damages in a Chinese intellectual property case.

State-owned Guangzhou Pharmaceutical Holdings is seeking Rmb2.9bn ($436m) in damages from Hong Kong-based Jiaduobao Group for infringements on its trademark "Wanglaoji" herbal tea drink, according to state-run Xinhua News.

The battle, being heard in Guangzhou provincial court, follows a history of disputes in the country's food and beverage industry between foreign brands and domestic partners.

In 2009, Danone pulled out of a high-profile partnership with Hangzhou Wahaha Group after the French yoghurt maker accused it of running parallel businesses. The legal battle, fought in several jurisdictions, took two years and eventually resulted in Danone selling off its share in the joint venture for what analysts said was below market value.

The fight between the tea makers has resulted in an odd arms race, where both continued to manufacture and sell the same product under the same name for several years while trying to win market share.

Guangzhou Pharma originally leased the brand to Jiaduobao more than a decade ago, but a court ruling from 2012 said that Jiaduobao had no right to continue marketing the sweet, chrysanthemum-flavoured drink under the name Wanglaoji as of mid-2010.

During the dispute, Jiaduobao continued selling Wanglaoji-branded tea in its original red can, proving more popular than the likes of Coca-Cola in sales and eventually becoming the market leader for canned drinks in China, Chinese media reported in 2013.

Guangzhou Pharma began its own marketing operations, selling the product in a beige drink box but claimed far lower sales.

Jiaduobao now produces an eponymous tea and no longer uses the Wanglaoji name. However, the two groups have continued to vie for market share. The Rmb2.9bn damages claim pertained to alleged losses to Guangzhou between 2010 and 2012.

Travel & leisure

Crown Resorts' A$2bn Sydney casino targets Chinese tourists

JAMIE SMYTH — SYDNEY

Crown Resorts has won planning approval to build a controversial A$2bn (US$1.5bn) casino resort on Sydney's waterfront, which aims to target booming Chinese tourism to Australia.

The casino and hotels group, which is controlled by Australian billionaire James Packer, said yesterday that it would move quickly to begin excavating the site. The group expects to open the casino in early 2021.

"While it has been a long and detailed process, we are pleased with the overall outcome and we're committed to building a six-star hotel resort that Sydney-siders and all Australians can be proud of," said Robert Rankin, chairman of Crown Resorts.

Mr Packer's proposal to build a second casino on Sydney's waterfront at Barangaroo — the city's new A$6bn financial centre — in 2012 divided the city's political and architectural establishment. A lengthy planning and appeals process delayed the project by two years and forced several changes to the original building design.

Australia is benefiting from a surge in inbound tourism from Asia, with a record 1.1m Chinese visitors in the year to the end of April.

Crown has targeted Chinese tourists at its luxury Crown Melbourne and Perth casinos, which have provided stable earnings despite Beijing's crackdown on corruption. The crackdown has caused the 2015 gross domestic product of Macau to shrink 20.3 per cent year on year.

Crown has a multibillion-dollar pipeline of projects. Shares were up almost 1 per cent at A$12.75 on the Australian Securities Exchange, which closed down almost 1 per cent yesterday.

COMPANIES

Financial services

Soros bets on decline in Deutsche Bank shares

Hedge funds look for ways to profit from markets turmoil in wake of Brexit

JAMES SHOTTER — FRANKFURT

George Soros placed a multimillion-euro bet that Deutsche Bank's shares would plummet in the wake of the UK's decision to leave the EU, as hedge funds looked for ways to profit from the market turmoil following the vote.

The veteran investor, who famously made $1bn betting against the pound in 1992, took a short position of 0.51 per cent in Deutsche's stock on Friday — the day after the vote — via his investment vehicle, Soros Fund Management, according to a regulatory filing. The bet equates to about 7m shares. In a second filing yesterday, Soros Fund Management said its short position was now 0.46 per cent — suggesting that it had begun to take profits from the trade.

The London-based hedge fund Marshall Wace also had a short position of about 0.5 per cent in Deutsche on Friday, according to a separate filing.

Deutsche declined to comment on the positions, which were first reported by the German newspaper Die Welt.

Since Friday, Deutsche shares have dropped significantly. At one point on Monday, they were down more than 13 per cent compared with Friday's high. By yesterday afternoon, they were down by 7.9 per cent from that level. Despite these falls, the president of BaFin, Germany's financial regulator, said on Monday that the bank was "safe".

However, the slump in Deutsche's shares continues what has been a torrid year for the bank and its investors. The group's share price has lost almost two-thirds of its value since hitting a high of €32.31 last August, as investors fret about the pressures on global banks as well as Deutsche's own troubles.

The bank is battling to settle a number of regulatory probes — including into its mortgage-backed securities business and its Russian operations — and has also embarked on a five-year plan aimed at bolstering its capital levels and its profitability. Last year, it made a €6.8bn net loss.

The previous low in the bank's shares came in February, as investors fretted about whether it would pay coupons on its riskiest debt, but the current selling has pushed its shares below those levels. They hit €12.07 on Monday, but by yesterday lunchtime had recovered to €12.80.

The trades by Soros Fund Management and Marshall Wace came as hedge funds rushed to take advantage of the volatility provoked by Britain's shock decision to leave the EU, with some of the world's biggest funds aggressively shorting the pound and British stocks in expectation of a sharp deterioration of the UK economy.

A spokesman for Mr Soros said on Monday that he had not bet against the pound before last Thursday's vote, and had also not profited from its sharp fall.

Banks. Sliding stocks

UK lenders seek to assuage worries over EU poll fallout

Financial institutions pressed on staff retention, business models and location strategies

EMMA DUNKLEY

The chief executives of Royal Bank of Scotland and Lloyds Banking Group wrote to staff yesterday to reassure them their banks could withstand the fallout from the UK's vote for Brexit.

António Horta-Osório, chief executive of Lloyds, backed up his comments by buying 100,000 shares in the bank at a cost of £54,200.

The UK lenders have been among the hardest hit by the sharp stock market falls that followed the decision to leave the EU, even after a rebound in their shares yesterday.

In just two days, £40bn was wiped off the value of the UK's five FTSE 100-listed banks — Barclays, HSBC, Royal Bank of Scotland, Lloyds Banking Group and Standard Chartered — as analysts issued downgrades on the back of potential economic and political uncertainty.

Yesterday, there was a recovery — with Lloyds and Barclays' share prices rising. But those two banks and RBS have still lost between a quarter and a third of their value since the referendum result.

The effects of leaving the EU ripple beyond price shocks. High-street lenders face questions over staff retention, location of their headquarters, changes to regulation and ultimately whether they can sustain their business models.

Analysts fear regulators might prevent lenders from paying out excess capital, dealing another blow to Lloyds and RBS investors, who have been hoping for gradual dividend improvements.

The UK-focused banks have been punished as they are highly reliant on the health of the UK economy, which several analysts say will fall into recession. Any increase in mortgage or corporate loan defaults would hit Lloyds, RBS and Barclays particularly hard.

Barclays has also suffered as a result of its large investment banking division, which faces increased costs if it has to build up subsidiaries in Europe in the event of a Brexit, according to Joe Dickerson at Jefferies, who says the existence of Barclays' investment bank has now been "called into question".

"As a capital-intensive business with 'subpar' returns, it will likely require an expensive reshape," he warns. HSBC and Standard Chartered, whose earnings are in dollars and which have more geographically diversified businesses with a stronger focus on Asia and the US, have fared better. Their shares have fallen 2.5 per cent and 7 per cent respectively.

Barclays and RBS have a bias towards corporate banking, which could be hit by any impact on exports. Trading in the banks was temporarily halted on Monday after the banks' shares dived.

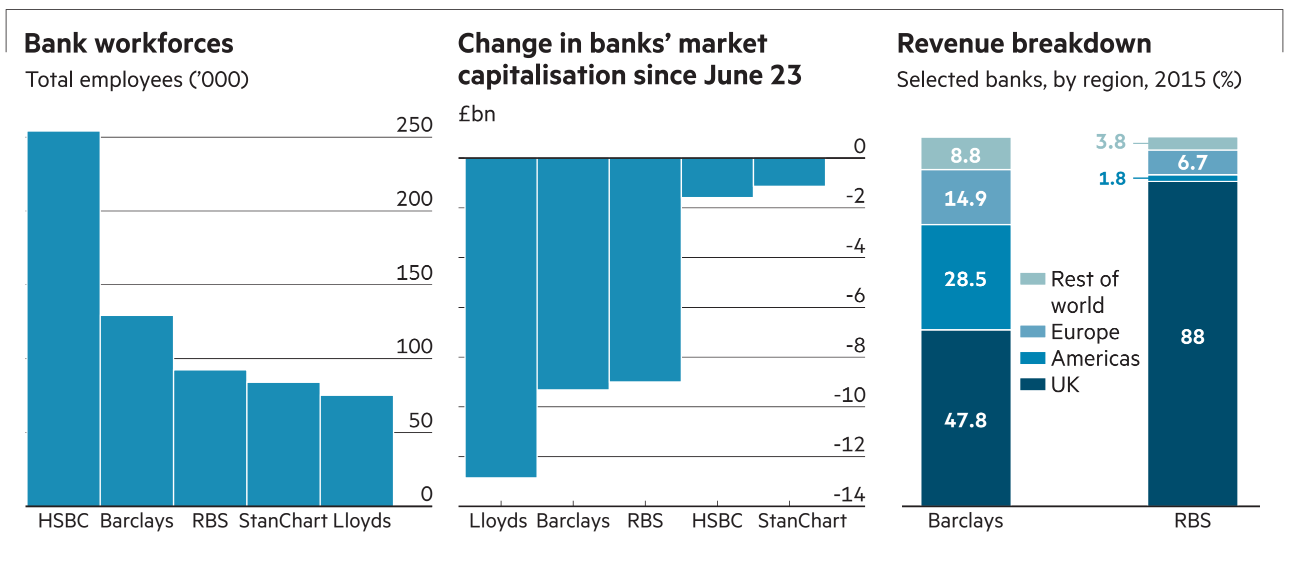
For Lloyds — whose balance sheet is two-thirds mortgages — there is more of an "indirect consequence", according to Mr Dickerson, which could hit if unemployment and the overall economy is affected. It is possible loans will turn sour if pressed borrowers cannot repay.

Lenders' margins are at risk of being squeezed further if the Bank of England cuts base interest rates to buoy the economy. Sandy Chen, an analyst at Cenkos, says political uncertainties mean Lloyds and RBS are "uninvestable for now", noting that the UK could be broken up if Scotland calls for another referendum on independence.

Some investors are starting to say that the UK banks have been oversold.

"We are happy to continue to hold UK bank shares because the price falls are excessive in relation to the likely impact on profits," says Richard Buxton, chief executive of Old Mutual Global Investors. "We are pretty pessimistic about the UK economy but have looked at the scale of falls against the likely increase in bad debts and it is overdone."

Pressing issues: RBS shares have been buffeted since the EU referendum result was announced
Andrew Winning/Reuters



Sources: Bloomberg; Thomson Reuters Datastream

'Passport' services

High price to pay for rearranging furniture

Pulling out of the EU will probably remove UK banks' ability to "passport" services freely across Europe, analysts warn.

Giles Williams of KPMG says even the most retail-focused banks lend into Europe as a way to provide diversification, so "there is an issue for ongoing lending". It will also impact UK banks offering certain services to corporate customers, such as foreign exchange. Banks will have to consider whether to set up new legal entities with licences in Europe. "It's a rearrangement of the furniture — it's time-consuming and expensive," Mr Williams says.

As large UK banks are being forced to hive off retail arms from riskier divisions to meet ringfencing rules by 2019, analysts at Morgan Stanley believe they could move their international and wholesale operations into Europe.

Advisers are warning that UK banks must create more detailed plans to ensure they can access markets and decide where business is conducted. "Waiting until Article 50 is triggered, let alone until exit negotiations are closer to being finalised, risks being too late given the possible scale of change some banks will have to deal with," says Vishal Vedi, a banking partner at Deloitte.

Financial services

Location concerns lead BaFin chief to question LSE-Deutsche Börse merger

JAMES SHOTTER — FRANKFURT
PHILIP STAFFORD — LONDON

The head of Germany's financial watchdog has cast doubt on the viability of Deutsche Börse's planned merger with the London Stock Exchange Group if the group puts its headquarters outside the EU.

Under the terms of the €20bn deal set out in March, the combined group was to have its main headquarters in London. However, since the UK's shock vote to leave the EU last week, there has been mounting pressure from German politicians for the headquarters to be located in Frankfurt.

Yesterday, Felix Hufeld, president of BaFin, waded into the fray, saying on the sidelines of a conference in Frankfurt it was "hard to imagine that the most important exchange venue in the eurozone would be steered from a location outside the EU".

Deutsche Börse declined to comment.

While influential, BaFin does not have the power to block the merger. Instead, the final decision in Germany will be taken by the economics ministry in the state of Hesse, where Frankfurt is located. The deal must also pass antitrust scrutiny in Brussels.

Mr Hufeld's comments come as both exchanges prepare to put their deal to shareholders. The LSE will hold a vote on the deal on July 4 while Deutsche Börse is making a tender offer for shareholders that closes on July 12. Deutsche Börse declined to disclose the number of shares already tendered.

Deutsche Börse's top executives have insisted the Brexit vote will not derail the deal. The two exchanges rushed out a statement the morning after the vote stressing they remained "fully committed" to the merger.

In an internal memo last week, Carsten Kengeter, the former UBS banker who is now Deutsche Börse's chief executive, told staff: "Having group companies located outside the EU is not a deal-breaker by any means."

However, Mr Hufeld's intervention is the latest sign of growing unease about the deal among German regulators and politicians, who have long worried that the merger could undermine Frankfurt's position as a financial centre.

Last week, Michael Fuchs, an influential member of Angela Merkel's ruling Christian Democrats, told the Financial Times there was "no way" the deal could go ahead with headquarters in London.

Tarek Al-Wazir, Hesse's economics minister, said on Friday in the wake of the referendum that there were "now a couple more questions" about the deal, "such as the possibility of carrying out our supervisory duties, depending on where the headquarters is".

Shares in Deutsche Börse and the LSE were both up about 4 per cent yesterday afternoon amid a broader market rally after two days of sharp falls.

Felix Hufeld: waded into fray over location of proposed exchange's HQ

Energy

France attempts to calm post-Brexit fears over Hinkley Point power project

MICHAEL STOTHARD — PARIS

The French government has attempted to calm fears that the UK's vote to leave the EU will scupper plans to build Britain's controversial Hinkley Point nuclear power station.

Emmanuel Macron, the French economy minister, said yesterday that the vote would have "no consequences" for the £18bn project, urging state-owned utility EDF to press ahead with its final investment decision.

He said at the World Nuclear Exhibition in Paris that France had "bilateral treaties and bilateral commitments with Britain" for Hinkley Point that were not affected by the UK's membership in the EU.

There are fears that the instability caused by the UK referendum will heap more tension on a deal that has already been repeatedly delayed. Loud voices in both countries want to disrupt the deal.

One of the EDF trade unions, CFE Energies, said this week that due to the "political and economic" uncertainty, it was "only common sense" to delay to project. It said EDF should not "rush into the unknown".

They highlighted the sharp fall in sterling since Friday and said that nobody knew how, following prime minister David Cameron's resignation on Friday, a new British government would feel about the nuclear project.

Hinkley Point represents a crucial part of the future UK energy mix: it is set to provide low-carbon electricity to meet 7 per cent of the country's total needs when up and running in 2025.

> A majority of the EDF unions want to delay any binding commitment to the power station deal

But many have criticised the project as too expensive, because the UK government has guaranteed an electricity price to EDF for Hinkley Point of £92.50 per megawatt-hour — more than double the current wholesale price.

George Osborne, the UK chancellor, has been a powerful supporter of new nuclear power and an advocate for the project. But a new prime minister is expected as early as September and could look for cheaper options.

A majority of the EDF unions want to delay any binding commitment to the Hinkley Point project, in part because the EPR reactor technology that will be used is still untested, with no working example in the world.

They feel it is too big a risk, and are looking for reasons to stall the deal, at least until 2017, when the Flamanville EPR project in northern France is set to be completed. EDF's finance director, Thomas Piquemal, also resigned earlier this year, saying Hinkley Point was too large a risk for the company.

EDF's workers' committee — which is an official body within EDF made up largely of union members — is set to give its official opinion on whether the project should go ahead on July 4.

Last week the committee filed a legal claim to try and delay its own decision. It alleged that EDF had "refused" to give the body key documents. The hearing is set for September 22.

For the French government, which owns 85 per cent of EDF, the Hinkley Point project is crucial for maintaining the competencies of the French nuclear sector and supporting its suppliers.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

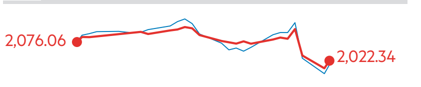
S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
1.09%	1.55%	0.90%	2.64%	2.40%	0.09%	-0.27%	1.29%	0.638%	1.293%	1.077%	-0.599%	1.84%	0.69%

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

AMERICAS

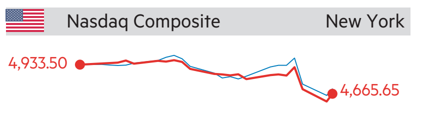
May 29 - Jun 28 — Index — All World

S&P 500 New York



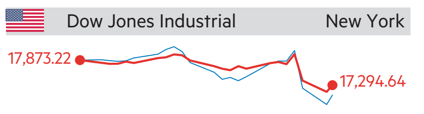
Day 1.09% Month -3.23% Year NaN%

Nasdaq Composite New York



Day 1.55% Month -5.40% Year -8.14%

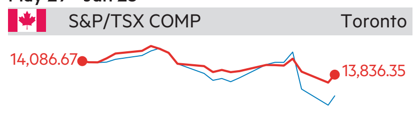
Dow Jones Industrial New York



Day 0.90% Month -3.24% Year -3.64%

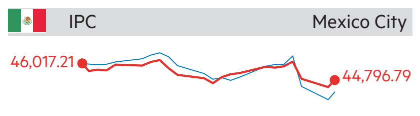
May 29 - Jun 28 — Index — All World

S&P/TSX COMP Toronto



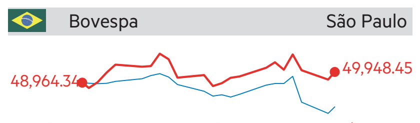
Day 1.07% Month -1.89% Year -6.55%

IPC Mexico City



Day 1.16% Month -2.86% Year -1.65%

Bovespa São Paulo

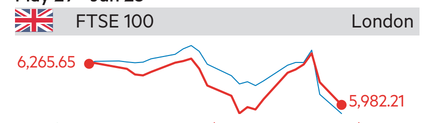


Day 1.43% Month 1.73% Year -7.62%

EUROPE

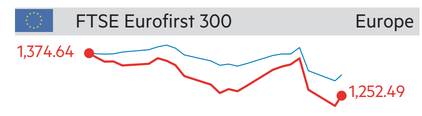
May 29 - Jun 28 — Index — All World

FTSE 100 London



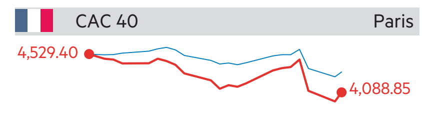
Day 2.64% Month -2.27% Year -9.25%

FTSE Eurofirst 300 Europe



Day 2.40% Month -8.88% Year -20.52%

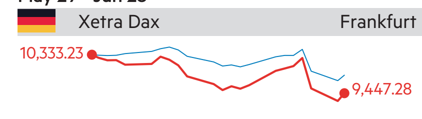
CAC 40 Paris



Day 2.61% Month -9.43% Year -19.18%

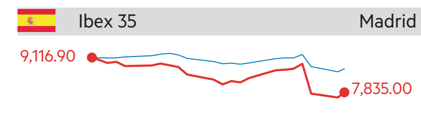
May 29 - Jun 28 — Index — All World

Xetra Dax Frankfurt



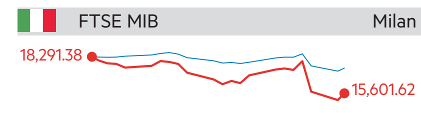
Day 1.93% Month -5.67% Year NaN%

Ibex 35 Madrid



Day 2.48% Month -13.97% Year -31.10%

FTSE MIB Milan

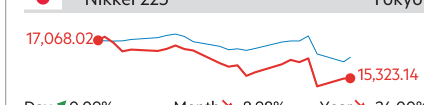


Day 3.30% Month -14.21% Year -34.45%

ASIA

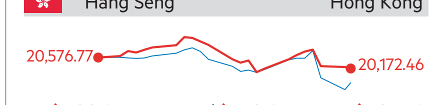
May 29 - Jun 28 — Index — All World

Nikkei 225 Tokyo



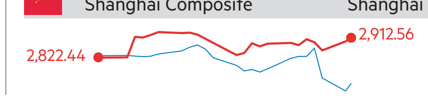
Day 0.09% Month -8.98% Year -26.00%

Hang Seng Hong Kong



Day -0.27% Month -1.96% Year -24.35%

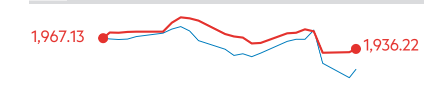
Shanghai Composite Shanghai



Day 0.59% Month 3.24% Year -30.54%

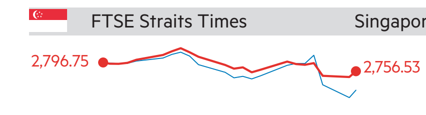
May 29 - Jun 28 — Index — All World

Kospi Seoul



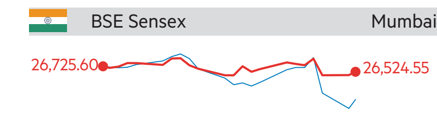
Day 0.49% Month -1.67% Year -7.37%

FTSE Straits Times Singapore



Day 0.98% Month -1.64% Year -16.99%

BSE Sensex Mumbai



Day 0.46% Month -0.48% Year -4.63%

Country	Index	Latest	Previous
Argentina	Merval	14084.27	13773.94
Australia	All Ordinaries	5179.70	5216.20
	S&P/ASX 200	5103.30	5137.20
	S&P/ASX 200 Res	2677.40	2717.10
Austria	ATX	2027.95	1988.40
Belgium	BEL 20	3209.49	3141.13
	BEL Mid	5584.31	5529.91
Brazil	Bovespa	49948.45	49245.53
Canada	S&P/TSX 60	805.31	796.31
	S&P/TSX Comp	13836.35	13689.79
	S&P/TSX Met & Min	554.65	535.20
Chile	IGPA Gen	19476.38	19588.26
China	FTSE A200	7898.16	7866.85
	FTSE B35	9181.90	9208.42
	Shanghai A	3048.62	3030.78
	Shanghai B	345.64	343.67
	Shanghai Comp	2912.56	2895.51
	Shenzhen A	2061.50	2036.69
	Shenzhen B	1090.80	1083.54
Colombia	COLCAP	1302.39	1317.71
Croatia	CROBEX	1663.05	1649.57

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	66.15	65.38
Czech Republic	PX	806.43	790.09
Denmark	OMXC Copenhagen 20	990.99	996.35
Egypt	EGX 30	6851.61	7253.31
Estonia	OMX Tallinn	969.26	956.62
Finland	OMX Helsinki General	7979.72	8001.14
France	CAC 40	4088.85	3984.72
	SBF 120	3233.66	3149.28
Germany	M-DAX	19276.46	18920.99
	TecDAX	1554.71	1520.99
	XETRA Dax	9447.28	9268.66
Greece	Athens Gen	538.65	519.33
	FTSE/ASE 20	1449.28	1385.56
Hong Kong	Hang Seng	20172.46	20227.30
	HS China Enterprise	8536.16	8567.21
	HSCC Red Chip	3468.70	3480.53
Hungary	Bux	26226.84	25390.23
India	BSE Sensex	26524.55	26402.96
	S&P CNX 500	6627.95	6634.30
Indonesia	Jakarta Comp	4882.17	4836.05
Ireland	ISEQ Overall	5446.45	5296.74
Israel	Tel Aviv 100	12.02	12.40

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	17161.64	16619.42
	FTSE Italia Mid Cap	28428.06	27547.33
	FTSE MIB	15601.62	15103.58
Japan	2nd Section	4055.13	4049.53
	Nikkei 225	15323.14	15309.21
	S&P Topix 150	995.59	998.10
	Topix	1224.62	1225.76
Jordan	Amman SE	2090.74	2093.29
Kenya	NSE 20	3744.58	3750.98
Kuwait	KSX Market Index	5366.14	5347.92
Latvia	OMX Riga	617.40	625.82
Lithuania	OMX Vilnius	500.61	509.58
Luxembourg	LuxX	1371.98	1344.07
Malaysia	FTSE Bursa KLCI	1634.04	1629.52
Mexico	IPC	44796.79	44282.03
Morocco	MASI	9603.16	9570.06
Netherlands	AEX	417.51	411.62
	AEX All Share	642.45	633.38
New Zealand	NZX 50	6716.58	6686.93
Nigeria	SE All Share	30649.66	31071.25
Norway	Oslo All Share	663.11	665.18
Pakistan	KSE 100	37076.63	37076.63

Country	Index	Latest	Previous
Philippines	Manila Comp	7666.69	7715.90
Poland	Wig	44621.27	44045.53
Portugal	PSI 20	4358.46	4260.13
	PSI General	2299.65	2253.15
Romania	BET Index	6428.69	6271.89
Russia	Micex Index	1853.80	1841.73
	RTX	903.01	888.78
Saudi-Arabia	TADAWUL All Share Index	6464.84	6478.60
Singapore	FTSE Straits Times	2756.53	2729.85
Slovakia	SAX	312.90	312.90
Slovenia	SBI TOP	677.56	680.92
South Africa	FTSE/JSE All Share	51141.14	50086.68
	FTSE/JSE Res 20	29458.55	29055.89
	FTSE/JSE Top 40	45107.14	44142.75
South Korea	Kospi	1936.22	1926.85
	Kospi 200	240.08	239.28
Spain	IBEX 35	7835.00	7645.50
Sri Lanka	CSE All Share	6307.40	6318.21
Sweden	OMX Stockholm 30	1345.44	1359.14
	OMX Stockholm AS	480.68	485.01
Switzerland	SMI Index	7773.80	7594.49

Country	Index	Latest	Previous
Taiwan	Weighted Pr	8505.51	8458.87
Thailand	Bangkok SET	1437.42	1424.31
Turkey	BIST 100	75161.24	75366.00
UAE	Abu Dhabi General Index	4434.23	4416.68
UK	FT 30	2550.70	2693.90
	FTSE 100	6140.39	5982.20
	FTSE 4Good UK	5442.82	5292.59
	FTSE All Share	3326.28	3237.54
	FTSE techMARK 100	3703.49	3594.98
USA	DJ Composite	6081.63	6032.37
	DJ Industrial	17294.64	17140.24
	DJ Transport	7185.35	7093.40
	DJ Utilities	696.55	686.95
	Nasdaq 100	4262.63	4201.05
	Nasdaq Cmp	4665.65	4594.44
	NYSE Comp	10096.02	9973.54
	S&P 500	2022.34	2000.54
	Wilshire 5000	21224.32	21238.05
Venezuela	IBC	13233.16	13296.72
Vietnam	VNI	622.20	621.27

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	229.06	226.10
	Euro Stoxx 50 (Eur)	2753.91	2697.44
	Euronext 100 ID	813.19	795.60
	FTSE 4Good Global ($)	5039.43	4969.25
	FTSE All World	254.13	250.89
	FTSE E300	1252.49	1223.15
	FTSE Eurotop 100	2493.79	2428.41
	FTSE Global 100 ($)	1255.39	1238.53
	FTSE Gold Min ($)	1817.43	1799.68
	FTSE Latibex Top (Eur)	2477.70	2462.70
	FTSE Multinationals ($)	1407.18	1443.30
	FTSE World ($)	450.25	444.34
	FTSEurofirst 100 (Eur)	3512.53	3427.92
	FTSEurofirst 80 (Eur)	3762.28	3679.63
	MSCI ACWI Fr ($)	379.69	388.27
	MSCI All World ($)	1571.76	1608.79
	MSCI Europe (Eur)	1244.70	1285.59
	MSCI Pacific ($)	2177.19	2157.47
	S&P Euro (Eur)	1257.30	1228.96
	S&P Europe 350 (Eur)	1283.47	1252.87
	S&P Global 1200 ($)	1766.02	1743.89
	Stoxx 50 (Eur)	2696.35	2636.71

(c) Closed. (u) Unavailable. † 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	16.3	92.55	0.51
Facebook	16.1	112.26	3.29
Hospira	11.8	89.95	-0.01
Amazon.com	10.9	705.46	14.10
Bank Of America	9.4	12.45	0.27
JP Morgan Chase & Co	8.5	58.72	1.11
Microsoft	6.7	49.15	0.72
Citigroup	6.6	39.55	1.07
Tesla Motors	6.2	200.68	2.13
Netflix	5.6	87.62	2.29

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Southwestern Energy	13.46	1.04	8.37
Cabot Oil & Gas	25.63	1.57	6.53
Liberty Global	28.75	1.76	6.52
Freeport-mcmoran	10.78	0.65	6.42
Devon Energy	35.82	2.07	6.13
Downs			
E.i. Du Pont De Nemours And	62.21	-1.87	-2.92
Dow Chemical (the)	48.32	-1.19	-2.40
Tyson Foods	63.80	-1.44	-2.21
Raytheon	132.03	-2.77	-2.05
Campbell Soup	62.32	-1.25	-1.97

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
British American Tobacco	259.8	4555.50	100.50
Lloyds Banking	231.2	54.95	2.98
Astrazeneca	222.0	4273.50	147.50
Hsbc Holdings	216.6	443.60	5.60
Barclays	211.1	131.50	4.62
Glaxosmithkline	209.1	1514.00	26.00
Vodafone	205.2	218.10	2.33
Royal Dutch Shell	187.2	1929.00	6.50
Bp	181.2	404.45	9.50
Prudential	155.2	1190.50	85.50

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Daejan Holdings	5005.00	594.00	13.47
Ip	135.50	15.10	12.54
Circassia Pharmaceuticals	92.50	10.25	12.46
Ao World	135.00	14.50	12.03
Stagecoach	218.30	20.80	10.53
Downs			
Shawbrook	140.00	-23.10	-14.16
Centamin	123.70	-5.74	-4.41
Acacia Mining	423.50	-16.50	-3.75
Ssp	272.30	-10.00	-3.54
Clarkson	2025.00	-57.50	-2.88

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Nestle N	787.1	65.62	0.00
Intesa Sanpaolo	617.7	1.55	0.00
Novartis N	476.9	69.54	0.00
Unicredit	466.0	1.91	0.00
Bbva	432.0	4.85	0.09
Telefonica	391.2	3.36	0.06
Total	386.7	41.39	1.07
Allianz Se Vna O.n.	381.4	120.15	0.00
Bnp Paribas Act.a	361.7	38.35	1.44
Eni	356.4	13.23	0.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Bankia	0.66	0.05	8.24
Kbc	43.02	2.78	6.90
Jc Decaux Sa.	30.69	1.80	6.23
Peugeot	11.19	0.54	5.02
Axa	17.20	0.80	4.85
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
Svenska Handelsbanken Ab	11.40	-0.50	-4.18
Vonovia Se	29.34	-0.93	-3.08

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Toyota Motor	1060.9	4975.00	-176.00
Mitsubishi Ufj Fin.,	468.8	448.70	-7.20
Sumitomo Mitsui Fin.,	455.0	2869.50	-45.50
Mizuho Fin.,	417.2	146.50	-2.80
Softbank .	383.9	5668.00	13.00
Nippon Telegraph And Telephone	336.6	4784.00	64.00
Sony	248.6	2825.50	43.50
Canon	247.8	2861.00	-85.50
Mazda Motor	243.3	1369.50	-45.00
Japan Tobacco .	237.7	4147.00	10.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Showa Denko K.k.	921.00	822.00	830.30
Sapporo Holdings	2931.00	2348.00	402.74
Sharp	102.00	7.00	7.37
Dainippon Screen Mfg.co.,	1113.00	64.00	6.10
Nippon Meat Packers,.	2483.00	129.00	5.48
Downs			
Showa Shell Sekiyu K.k.	954.00	-107.00	-10.08
Tokuyama	272.00	-18.00	-6.21
Ms&ad Insurance Holdings,.	2449.50	-100.50	-3.94
Mitsubishi Materials	236.00	-9.00	-3.67
Asahi Glass ,	536.00	-20.00	-3.60

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jun 28 price(p)	%Chg week	%Chg ytd
Winners			
Randgold Resources Ltd	7965.00	21.9	90.2
Fresnillo	1449.00	18.1	103.2
Mediclinic Int	1045.00	13.2	-
Astrazeneca	4273.50	10.4	-7.4
Hikma Pharmaceuticals	2386.00	8.2	3.7
British American Tobacco	4555.50	6.7	17.6
Glaxosmithkline	1514.00	6.9	10.3
Unilever	3367.00	6.7	15.1
Diageo	1935.00	6.1	4.2
Rolls-royce Holdings	669.50	6.1	16.4
Relx	1301.00	5.8	8.9
Bp	404.45	5.8	13.1
Losers			
Barratt Developments	381.00	-35.6	-42.1
Taylor Wimpey	122.00	-34.3	-39.9
Persimmon	1344.00	-33.8	-33.2
Easyjet	1069.00	-29.5	-38.4
Int Consolidated Airlines S.a.	357.20	-29.0	-41.4
Royal Bank Of Scotland	173.80	-28.1	-42.5
Barclays	131.50	-26.9	-39.8
Berkeley Holdings (the)	2375.00	-26.5	-36.2
Travis Perkins	1416.00	-24.3	-28.3
Lloyds Banking	54.95	-23.0	-25.9
Legal & General	178.00	-22.7	-33.7
British Land	579.00	-21.6	-25.4

FTSE 250	Jun 28 price(p)	%Chg week	%Chg ytd
Winners			
[illegible]	593.00	702.0	801.0
Acacia Mining	423.50	26.9	135.3
Centamin	123.70	17.0	93.1
Polymetal Int	983.50	14.8	68.3
Btg	673.00	5.1	-2.3
Templeton Emerging Markets Investment Trust	495.30	4.5	18.4
Genesis Emerging Markets Fund Ltd	523.00	4.0	15.5
Pennon	874.50	3.2	1.6
Fidelity China Special Situations	140.30	2.8	-2.3
Cobham	150.40	2.7	-46.9
Jpmorgan Emerging Markets Investment Trust	605.00	2.6	10.6
British Empire Trust	479.70	2.5	4.5
Losers			
Shawbrook	140.00	-50.4	-60.0
Foxtons	179.80	-44.2	-49.0
Aldermore	118.40	-42.6	-48.9
Crest Nicholson Holdings	343.30	-40.7	-38.4
Virgin Money Holdings (uk)	223.00	-38.1	-44.1
Mccarthy & Stone	167.30	-33.2	-37.5
Ibstock	132.40	-32.1	-40.4
Grafton	472.10	-31.9	-36.2
Bovis Homes	680.00	-31.7	-33.1
Bellway	1790.00	-30.7	-34.7
Pagegroup	273.10	-29.3	-43.6
Galliford Try	899.50	-28.9	-41.6

FTSE SmallCap	Jun 28 price(p)	%Chg week	%Chg ytd
Winners			
Findel	170.00	9.0	-15.0
Blackrock Latin American Investment Trust	338.00	8.3	22.0
Puretech Health	154.50	7.9	-8.0
Petra Diamonds	109.50	7.9	25.1
New India Investment Trust	350.50	7.8	8.2
Jpmorgan Indian Investment Trust	560.00	7.5	10.9
Jpmorgan Russian Securities	366.00	7.0	22.0
Schroder Asiapacific Fund	283.00	6.5	6.8
Fundsmith Emerging Equities Trust	1016.00	6.4	6.2
Aberdeen New Dawn Investment Trust	163.25	6.4	7.8
Edinburgh Dragon Trust	265.50	6.2	9.9
Chemring	122.00	5.9	-35.6
Losers			
Sepura	42.00	-43.1	-76.8
[illegible]	105.50	-38.1	-44.2
Arrow Global	187.75	-28.7	-28.8
Helical Bar	279.50	-28.5	-41.1
Carpetright	219.25	-27.6	-54.7
Lookers	105.00	-27.2	-45.7
Robert Walters	250.00	-26.9	-29.6
On The Beach	198.00	-25.5	-16.6
Mj Gleeson	408.75	-25.5	-23.4
Sthree	235.25	-22.3	-27.8
Brammer	142.75	-21.6	-21.7
Lsl Property Services	225.00	-21.5	-21.1

Industry Sectors	Jun 28 price(p)	%Chg week	%Chg ytd
Winners			
Pharmaceuticals & Biotech.	12877.83	7.6	-0.3
Tobacco	53269.71	5.8	15.6
Oil & Gas Producers	6990.95	5.4	23.3
Personal Goods	28577.42	4.4	10.3
Health Care Equip & Services	7477.87	4.2	2.9
Beverages	16067.53	3.1	4.0
Technology Hardware & Equip	1277.84	2.8	-0.2
Gas Water & Multiutilities	6251.48	2.3	5.0
Mobile Telecommunications	4898.51	1.2	-4.4
Aerospace & Defense	4085.52	0.1	-1.5
Industrial Metals	1251.77	-1.6	73.4
Losers			
Real Estate Investment Trusts	2642.33	-17.1	-19.0
Real Estate & Investment Servic	2249.69	-16.9	-26.9
General Retailers	2346.60	-13.9	-21.9
Life Insurance	5971.32	-13.0	-23.9
General Financial	7740.34	-12.2	-18.3
Household Goods	14946.52	-11.6	-9.5
Banks	2936.93	-11.4	-23.3
Travel & Leisure	7585.80	-9.4	-16.3
Automobiles & Parts	6048.58	-9.2	-16.3
Fixed Line Telecommunication	4453.51	-8.4	-16.6
Electricity	8316.23	-8.4	-5.7
Food Producers	7401.99	-8.2	-16.5

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

CURRENCIES

Jun 28	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	15.0400	0.0950	16.6199	0.2163	20.0354	0.3857
Australia	Australian Dollar	1.3590	-0.0021	1.5017	0.0078	1.8103	0.0208
Bahrain	Bahrainin Dinar	0.3773	-0.0001	0.4169	0.0027	0.5026	0.0064
Bolivia	Bolivian Boliviano	6.8850	-	7.6082	0.0513	9.1718	0.1194
Brazil	Brazilian Real	3.3226	-0.0786	3.6716	-0.0615	4.4261	-0.0457
Canada	Canadian Dollar	1.3082	-0.0022	1.4456	0.0073	1.7426	0.0198
Chile	Chilean Peso	674.4000	-7.7550	745.2428	-3.4895	898.3974	1.4977
China	Chinese Yuan	6.6477	0.0086	7.3460	0.0589	8.8557	0.1266
Colombia	Colombian Peso	3012.8100	-12.1200	3329.2927	9.1337	4013.4950	36.3065
Costa Rica	Costa Rican Colon	545.4700	0.4700	602.7693	4.5781	726.6442	10.0763
Czech Republic	Czech Koruna	24.5388	-0.1866	27.1164	-0.0220	32.6891	0.1802
Denmark	Danish Krone	6.7308	-0.0455	7.4378	0.0002	8.9664	0.0569
Egypt	Egyptian Pound	8.7742	-0.0846	9.6959	-0.0275	11.6885	0.0409
Hong Kong	Hong Kong Dollar	7.7600	-0.0012	8.5751	0.0565	10.3374	0.1330
Hungary	Hungarian Forint	287.3898	-2.6340	317.5788	-0.7508	382.8443	1.5202
India	Indian Rupee	67.9350	-0.0375	75.0713	0.4648	90.4992	1.1287
Indonesia	Indonesian Rupiah	13177.5000	-162.5000	14561.7425	-80.2319	17554.3307	14.8405
Israel	Israeli Shekel	3.8806	-0.0152	4.2882	0.0122	5.1695	0.0473
Japan	Japanese Yen	102.7850	1.0950	113.5821	1.9673	136.9243	3.2220
..One Month		102.7849	1.0947	113.5821	1.9673	136.9242	3.2217
..Three Month		102.7847	1.0943	113.5821	1.9673	136.9240	3.2213
..One Year		102.7835	1.0921	113.5820	1.9672	136.9242	3.2205
Kenya	Kenyan Shilling	101.2500	-	111.8859	0.7540	134.8795	1.7557
Kuwait	Kuwaiti Dinar	0.3020	-0.0002	0.3337	0.0021	0.4023	0.0050
Malaysia	Malaysian Ringgit	4.0710	-0.0250	4.4986	0.0029	5.4232	0.0377
Mexico	Mexican Peson	18.9418	-0.2090	20.9315	-0.0883	25.2331	0.0537
New Zealand	New Zealand Dollar	1.4218	-0.0012	1.5711	0.0093	1.8940	0.0231
Nigeria	Nigerian Naira	282.0000	-0.2500	311.6229	1.8257	375.6644	4.5612
Norway	Norwegian Krone	8.5095	-0.0920	9.4034	-0.0376	11.3359	0.0267
Pakistan	Pakistani Rupee	104.6850	-0.0950	115.6817	0.6753	139.4554	1.6903
Peru	Peruvian Nuevo Sol	3.3014	-0.0206	3.6482	0.0020	4.3979	0.0302
Philippines	Philippine Peso	46.9000	-0.1650	51.8266	0.1682	62.4775	0.5963
Poland	Polish Zloty	4.0169	-0.0381	4.4389	-0.0120	5.3511	0.0195
Romania	Romanian Leu	4.1001	-0.0208	4.5307	0.0077	5.4619	0.0437
Russia	Russian Ruble	64.6682	-0.7319	71.4613	-0.3217	86.1472	0.1591
Saudi Arabia	Saudi Riyal	3.7506	0.0002	4.1445	0.0282	4.9963	0.0653
Singapore	Singapore Dollar	1.3564	-0.0068	1.4989	0.0026	1.8069	0.0145
South Africa	South African Rand	15.2250	-0.2982	16.8243	-0.2140	20.2819	-0.1281
South Korea	South Korean Won	1171.2500	-11.0500	1294.2848	-3.4060	1560.2730	5.7808
Sweden	Swedish Krona	8.5532	-0.0141	9.4517	0.0482	11.3942	0.1298
Switzerland	Swiss Franc	0.9806	-0.0003	1.0836	0.0070	1.3062	0.0166
Taiwan	New Taiwan Dollar	32.4150	-0.1020	35.8201	0.1294	43.1814	0.4280
Thailand	Thai Baht	35.2900	-0.0600	38.9971	0.1970	47.0113	0.5330
Tunisia	Tunisian Dinar	2.1929	-0.0066	2.4232	0.0091	2.9212	0.0293
Turkey	Turkish Lira	2.9035	-0.0380	3.2084	-0.0201	3.8678	0.0004
United Arab Emirates	UAE Dirham	3.6730	0.0002	4.0588	0.0275	4.8930	0.0639
United Kingdom	Pound Sterling	0.7507	-0.0099	0.8295	-0.0053	-	-
..One Month		0.7507	-0.0099	0.8294	-0.0053	-	-
..Three Month		0.7508	-0.0099	0.8293	-0.0053	-	-
..One Year		0.7512	-0.0100	0.8287	-0.0053	-	-
United States	United States Dollar	-	-	1.1050	0.0074	1.3321	0.0173
..One Month		-	-	1.1049	-0.2098	1.3322	0.0173
..Three Month		-	-	1.1047	-0.2098	1.3322	0.0173
..One Year		-	-	1.1035	-0.2098	1.3327	0.0173
Venezuela	Venezuelan Bolivar Fuerte	9.9850	0.0150	11.0339	0.0908	13.3015	0.1929
Vietnam	Vietnamese Dong	22300.0000	-45.0000	24642.5597	116.7057	29706.8234	327.4624
European Union	Euro	0.9049	-0.0061	-	-	1.2055	0.0076
..One Month		0.9048	-0.0061	-	-	1.2054	0.0076
..Three Month		0.9046	-0.0061	-	-	1.2053	0.0076
..One Year		0.9034	-0.0062	-	-	1.2047	0.0076

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

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	£ Strlg Jun 28	Day's chge%	Euro Index	£ Strlg Jun 27	£ Strlg Jun 24	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	6140.39	2.64	5768.91	5982.20	6138.69	6620.48	4.05	0.71	34.53	138.64	4921.51
FTSE 250 (250)	15503.06	3.58	14565.15	14967.86	16088.05	17534.67	2.97	2.02	16.65	238.70	10944.49
FTSE 250 ex Inv Co (209)	16648.44	3.84	15641.23	16032.24	17327.34	19094.72	3.02	2.16	15.33	257.23	11983.03
FTSE 350 (350)	3379.00	2.80	3174.57	3287.12	3399.02	3672.06	3.88	0.88	29.38	72.34	5450.69
FTSE 350 ex Investment Trusts (309)	3355.76	2.81	3152.74	3263.90	3374.57	3650.74	3.91	0.87	29.27	72.35	2787.64
FTSE 350 Higher Yield (125)	3197.90	2.52	3004.43	3119.40	3190.37	3437.44	5.36	0.42	44.39	93.38	5336.65
FTSE 350 Lower Yield (225)	3224.14	3.12	3029.08	3126.68	3273.92	3548.74	2.18	2.17	21.16	40.04	3453.32
FTSE SmallCap (283)	4325.15	1.24	4063.48	4272.07	4448.83	4684.19	3.16	1.44	22.05	67.89	6019.54
FTSE SmallCap ex Inv Co (148)	3796.67	1.13	3566.98	3754.22	3983.74	4220.47	3.32	1.87	16.11	65.73	5553.64
FTSE All-Share (633)	3326.28	2.74	3125.04	3237.54	3348.58	3614.23	3.85	0.89	29.05	70.57	5426.74
FTSE All-Share ex Inv Co (457)	3288.76	2.78	3089.79	3199.71	3309.85	3579.20	3.89	0.89	28.84	70.65	2776.92
FTSE All-Share ex Multinationals (568)	1011.61	3.69	787.71	975.56	1051.02	1230.75	3.45	1.43	20.27	19.03	1753.76
FTSE Fledgling (104)	7318.08	0.23	6875.35	7301.24	7403.27	7934.21	2.88	1.52	22.82	91.03	13346.23
FTSE Fledgling ex Inv Co (53)	9520.37	-0.64	8944.41	9581.28	9843.01	10791.67	3.30	1.92	15.76	125.57	16890.71
FTSE All-Small (387)	3000.66	1.19	2819.13	2965.40	3083.82	3249.94	3.15	1.44	22.09	46.60	5361.33
FTSE All-Small ex Inv Co Index (201)	2832.22	1.05	2660.87	2802.70	2969.89	3150.24	3.32	1.87	16.09	48.58	5248.34
FTSE AIM All-Share Index (828)	688.83	1.75	647.15	676.96	703.81	755.13	1.86	0.60	89.00	5.25	746.80
FTSE Sector Indices											
Oil & Gas (16)	**7336.17**	**1.21**	**6892.35**	**7248.25**	**7171.80**	**7163.57**	**6.06**	**-0.68**	**-24.20**	**228.12**	**6369.62**
Oil & Gas Producers (9)	7027.75	1.19	6602.58	6945.42	6857.35	6773.99	6.10	-0.70	-23.30	218.77	6310.96
Oil Equipment Services & Distribution (7)	13273.13	2.15	12470.13	12993.28	13800.37	18834.53	4.82	0.26	80.62	394.46	10037.55
Basic Materials (27)	**3452.68**	**2.07**	**3243.80**	**3382.61**	**3412.94**	**4401.08**	**3.98**	**0.21**	**117.67**	**52.87**	**3445.15**
Chemicals (7)	11153.53	1.72	10478.75	10964.49	11393.50	11837.68	2.66	2.06	18.26	239.20	9789.78
Forestry & Paper (1)	15162.05	2.46	14244.77	14797.69	15643.95	16266.89	3.08	2.97	10.92	347.94	16102.23
Industrial Metals & Mining (2)	1250.14	8.15	1174.51	1155.96	1215.94	1326.78	0.46	2.79	78.30	0.00	1090.99
Mining (17)	9404.71	2.06	8835.74	9215.18	9231.78	12468.86	4.24	-0.06	-391.68	132.94	4911.28
Industrials (119)	**4197.36**	**3.26**	**3943.42**	**4064.84**	**4308.04**	**4614.66**	**2.71**	**1.43**	**25.82**	**61.75**	**4230.23**
Construction & Materials (15)	5131.39	4.40	4820.95	4915.26	5327.22	5017.04	2.47	0.06	698.40	86.07	5331.33
Aerospace & Defense (9)	4229.05	3.18	3973.20	4098.61	4188.43	4871.96	2.79	1.51	23.77	71.61	4443.69
General Industrials (7)	3625.71	2.45	3406.36	3538.99	3686.38	3613.87	3.16	1.26	25.13	48.86	3999.12
Electronic & Electrical Equipment (10)	5425.22	2.96	5097.00	5269.19	5548.53	5554.42	2.27	1.99	22.06	50.68	4849.75
Industrial Engineering (13)	8571.47	3.58	8052.91	8275.05	8734.22	9141.98	3.14	1.33	23.96	163.97	10241.05
Industrial Transportation (8)	4264.72	2.54	4006.71	4159.11	4464.39	4559.27	3.90	1.06	24.24	46.92	3628.30
Support Services (57)	6132.99	3.24	5761.95	5940.77	6365.80	6940.95	2.54	1.76	22.39	84.98	6234.74
Consumer Goods (39)	**19069.07**	**1.92**	**17915.43**	**18709.01**	**18870.89**	**16907.22**	**2.85**	**1.79**	**19.64**	**264.08**	**13641.83**
Automobiles & Parts (1)	6079.57	2.09	5711.77	5955.02	6533.13	7922.01	3.36	1.81	16.42	136.30	5708.04
Beverages (6)	16090.67	1.08	15117.21	15918.43	15790.44	14224.95	2.41	1.61	25.86	102.47	11032.18
Food Producers (8)	7479.73	6.15	7027.22	7046.35	7834.10	7823.84	2.20	1.85	24.55	33.34	6284.12
Household Goods & Home Construction (15)	12490.12	1.99	11734.48	12246.35	12847.88	12568.25	2.48	2.66	15.17	153.86	8591.45
Leisure Goods (1)	4395.17	2.13	4129.27	4303.44	4336.80	4992.59	3.88	1.50	17.20	129.52	3809.88
Personal Goods (6)	24874.52	1.92	23369.65	24405.93	24431.89	22386.63	2.74	2.94	12.41	316.89	16267.97
Tobacco (2)	53269.80	2.03	50047.06	52212.37	51518.82	41660.62	3.50	1.19	24.09	1163.34	33245.65
Health Care (19)	**9498.39**	**2.67**	**8923.75**	**9251.31**	**9182.98**	**9064.35**	**3.51**	**0.56**	**50.43**	**211.12**	**7089.90**
Health Care Equipment & Services (8)	7558.83	3.24	7101.53	7321.48	7429.90	6538.83	1.45	2.21	31.15	64.89	6466.80
Pharmaceuticals & Biotechnology (11)	12780.70	2.61	12007.49	12455.51	12334.51	12320.14	3.73	0.50	53.96	303.96	8487.74
Consumer Services (94)	**4263.11**	**2.75**	**4005.20**	**4148.95**	**4425.18**	**4932.35**	**2.79**	**1.85**	**19.39**	**72.22**	**3907.73**
Food & Drug Retailers (7)	2619.00	3.77	2460.56	2523.90	2666.82	3324.67	1.58	2.48	25.58	29.93	3027.58
General Retailers (32)	2308.45	3.81	2168.79	2223.65	2437.31	3113.72	3.22	2.14	14.49	32.15	2560.76
Media (21)	6917.65	3.11	6499.14	6708.70	6985.05	7302.84	3.09	1.34	24.10	135.19	4159.33
Travel & Leisure (34)	7392.86	1.59	6945.61	7276.81	7835.75	8222.93	2.66	2.08	18.09	131.66	6847.51
Telecommunications (6)	**3640.75**	**4.11**	**3420.49**	**3497.16**	**3634.29**	**4057.63**	**4.59**	**-0.26**	**-83.52**	**82.59**	**3898.03**
Fixed Line Telecommunications (4)	4528.70	4.03	4254.72	4353.35	4449.02	5339.04	3.47	1.83	15.74	2.62	3929.59
Mobile Telecommunications (2)	4891.10	4.15	4595.20	4696.18	4926.61	5269.67	5.23	-1.05	-18.15	172.86	4733.04
Utilities (7)	**8653.85**	**3.12**	**8130.31**	**8392.13**	**8429.96**	**8294.57**	**4.68**	**1.55**	**13.75**	**226.12**	**9464.84**
Electricity (2)	8297.35	3.33	7795.37	8029.85	8318.96	9198.61	5.93	1.36	12.44	146.48	11245.12
Gas Water & Multiutilities (5)	8261.98	3.07	7762.14	8016.00	7992.71	7626.09	4.38	1.62	14.10	233.10	9093.81
Financials (288)	**3722.89**	**3.75**	**3497.66**	**3588.18**	**3869.05**	**4830.22**	**4.50**	**1.51**	**14.74**	**102.63**	**3334.21**
Banks (11)	2899.92	2.93	2724.48	2817.49	3039.47	4387.07	5.68	0.85	20.60	101.66	2063.79
Nonlife Insurance (10)	2757.85	2.64	2591.00	2686.96	2849.40	2388.84	2.99	2.30	14.56	53.63	4723.78
Life Insurance/Assurance (10)	6059.85	6.43	5693.24	5693.93	6268.28	7980.94	4.87	1.53	13.44	201.97	5722.54
Index- Real Estate Investment & Services (20)	2271.66	4.25	2134.23	2179.06	2425.72	3115.90	2.92	5.40	6.34	36.68	5920.12
Real Estate Investment Trusts (28)	2412.35	5.69	2266.41	2282.55	2503.17	2898.75	3.87	4.76	5.43	53.08	2906.05
General Financial (33)	6623.96	4.72	6223.22	6325.56	6983.73	8031.57	3.93	1.89	13.48	157.04	7343.34
Equity Investment Instruments (176)	7432.28	1.72	6982.64	7306.45	7535.58	7753.76	2.81	1.00	35.46	108.83	3966.24
Non Financials (345)	**4064.68**	**2.45**	**3818.78**	**3967.42**	**4053.66**	**4169.80**	**3.67**	**0.68**	**40.40**	**78.78**	**5805.47**
Technology (18)	**1417.10**	**3.74**	**1331.37**	**1366.04**	**1450.18**	**1373.94**	**1.53**	**1.66**	**39.25**	**13.78**	**1790.06**
Software & Computer Services (12)	1787.44	5.75	1679.30	1690.26	1814.40	1630.30	2.07	1.54	31.29	24.03	2375.25
Technology Hardware & Equipment (6)	1584.11	2.06	1488.27	1552.18	1632.39	1612.98	1.07	1.86	50.35	10.68	1831.48

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	6083.13	6103.28	6097.67	6128.66	6124.79	6128.88	6157.26	6160.99	6140.24	6170.08	6072.78
FTSE 250	15372.43	15328.05	15351.79	15371.01	15394.32	15392.28	15462.48	15504.02	15531.61	15560.08	15271.12
FTSE SmallCap	4284.17	4322.82	4326.91	4326.43	4329.99	4335.38	4337.71	4340.64	4337.42	4341.85	4284.17
FTSE All-Share	3295.70	3304.06	3302.51	3316.71	3315.90	3317.76	3332.62	3335.85	3327.50	3340.01	3291.25

Time of FTSE 100 Day's high:13:55:45 Day's Low07:04:00 FTSE 100 2010/11 High: 6410.26(20/04/2016) Low: 5536.97(11/02/2016)
Time of FTSE All-Share Day's high:13:56:00 Day's Low07:04:00 FTSE 100 2010/11 High: 3504.16(20/04/2016) Low: 3046.53(11/02/2016)

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FT 30 INDEX

	Jun 28	Jun 27	Jun 24	Jun 23	Jun 22	Yr Ago	High	Low
FT 30	2550.70	2693.90	2850.60	2824.60	2806.80	0.00	2876.90	2508.90
FT 30 Div Yield	1.78	1.75	1.72	1.73	1.73	0.00	3.93	2.74
P/E Ratio net	25.05	25.57	26.01	25.80	25.73	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
2693.9	2632.1	2609.1	2609.1	2588.6	2557	2559.8	2559.6	2547.5	2693.9	2541.9

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

FX: EFFECTIVE INDICES

	Jun 27	Jun 24	Mnth Ago		Jun 28	Jun 27	Mnth Ago
Australia	88.83	89.99	88.31	Sweden	78.74	78.96	79.62
Canada	89.10	90.28	89.94	Switzerland	160.38	160.65	156.04
Denmark	107.12	106.99	106.46	UK	79.76	81.84	88.16
Japan	152.16	150.37	139.20	USA	100.13	99.09	100.59
New Zealand	114.43	115.52	111.03	Euro	87.65	87.50	87.06
Norway	85.53	86.03	86.59				

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 &	66.22	Health Care Eq & Srv	0.74	Electricity	-5.34
Mining	30.98	Technology	0.59	Household Goods & Ho	-6.79
Basic Materials	24.46	Nonlife Insurance	0.52	Media	-7.03
Oil & Gas Producers	20.41	Utilities	0.36	FTSE 250 Index	-7.70
Oil & Gas	19.74	Forestry & Paper	-0.22	Telecommunications	-9.11
Industrial Eng	14.24	Construct & Material	-0.88	Automobiles & Parts	-9.86
Industrial Transport	13.43	Chemicals	-1.05	Consumer Services	-9.95
Tobacco	11.90	Industrials	-1.31	Travel & Leisure	-11.44
Personal Goods	8.62	FTSE 100 Index	-1.66	Food Producers	-12.15
Electronic & Elec Eq	3.24	Software & Comp Serv	-1.72	Financial Services	-13.61
Consumer Goods	3.11	Equity Invest Instr	-2.22	Real Est Invest & Tr	-15.26
Tech Hardware & Eq	2.58	Aerospace & Defense	-2.78	Financials	-15.39
Beverages	2.35	FTSE All{HY-}Share Index	-2.78	General Retailers	-17.14
Food & Drug Retailer	2.20	Health Care	-3.22	Fixed Line Telecomms	-17.70
Gas Water & Multi	1.85	Mobile Telecomms	-3.40	Banks	-19.37
NON FINANCIALS Index	1.77	Pharmace & Biotech	-3.66	Leisure Goods	-20.83
Oil Equipment & Serv	1.11	FTSE SmallCap Index	-4.01	Life Insurance	-21.06
		Support Services	-4.57	Real Est Invest & Se	-21.35

FTSE GLOBAL EQUITY INDEX SERIES

Jun 28 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	7726	429.78	-2.3	-5.8	-4.7	596.58	-3.3	2.7
FTSE Global All Cap	7079	462.39	0.3	7.3	-0.3	624.68	0.2	2.5
FTSE Global Large Cap	1425	378.68	-2.0	-5.6	-5.0	538.30	-3.5	2.9
FTSE Global Mid Cap	1643	577.09	-3.2	-6.5	-4.1	762.94	-3.0	2.3
FTSE Global Small Cap	4658	605.77	-3.0	-6.0	-3.4	776.38	-2.4	2.2
FTSE All-World	3068	250.89	-2.2	-5.7	-4.9	367.61	-3.4	2.8
FTSE World	2544	444.34	-2.3	-6.0	-5.0	874.14	-3.5	2.8
FTSE Global All Cap ex UNITED KINGDOM In	7399	445.57	-2.0	-5.1	-3.9	609.60	-2.5	2.6
FTSE Global All Cap ex USA	5771	386.16	-2.6	-6.9	-7.4	571.31	-5.6	3.3
FTSE Global All Cap ex JAPAN	6462	438.30	-2.7	-6.1	-4.5	613.99	-3.1	2.7
FTSE Global All Cap ex Eurozone	7080	447.55	-2.0	-5.0	-3.5	609.50	-2.3	2.6
FTSE Developed	2097	403.61	-2.3	-6.2	-5.4	564.72	-4.0	2.7
FTSE Developed All Cap	5695	424.04	-2.4	-6.2	-5.2	586.60	-3.8	2.7
FTSE Developed Large Cap	900	372.88	-2.0	-6.0	-5.6	529.14	-4.1	2.8
FTSE Developed Europe Large Cap	223	284.28	-4.6	-11.9	-13.9	460.90	-11.4	4.0
FTSE Developed Europe Mid Cap	309	433.23	-7.4	-15.0	-15.5	633.76	-13.7	3.1
FTSE Dev Europe Small Cap	706	609.19	-7.6	-16.0	-16.7	865.30	-15.2	2.9
FTSE North America Large Cap	292	427.55	-1.7	-4.7	-2.0	569.21	-0.9	2.4
FTSE North America Mid Cap	394	639.51	-2.9	-4.8	-0.1	796.35	0.7	1.9
FTSE North America Small Cap	1484	640.40	-3.0	-4.9	-0.2	775.58	0.6	1.8
FTSE North America	686	286.36	-1.9	-4.7	-1.7	390.54	-0.7	2.3
FTSE Developed ex North America	1411	202.25	-2.8	-8.4	-10.8	321.68	-8.9	3.5
FTSE Japan Large Cap	176	300.41	1.8	-2.3	-8.3	379.70	-7.4	2.5
FTSE Japan Mid Cap	307	475.22	2.8	-1.2	-3.3	579.40	-2.4	2.0
FTSE Global wi JAPAN Small Cap	781	518.46	3.2	-1.0	-1.5	653.68	-0.4	2.3
FTSE Japan	483	126.38	2.0	-2.1	-7.3	179.43	-6.4	2.4
FTSE Asia Pacific Large Cap ex Japan	548	528.94	-0.6	-1.3	-2.2	804.07	-0.6	3.4
FTSE Asia Pacific Mid Cap ex Japan	420	730.42	-0.3	-0.8	-2.2	1066.22	-1.1	3.2
FTSE Asia Pacific Small Cap ex Japan	1444	485.25	0.0	-0.9	-2.8	697.30	-1.9	2.8
FTSE Asia Pacific Ex Japan	968	419.82	-0.5	-1.3	-2.2	677.98	-0.7	3.4
FTSE Emerging All Cap	2031	577.50	-1.3	-0.9	1.1	835.68	2.6	3.2
FTSE Emerging Large Cap	525	543.28	-1.5	-1.3	0.9	791.64	2.4	3.3
FTSE Emerging Mid Cap	446	737.58	-1.4	0.1	3.9	1060.84	5.3	3.0
FTSE Emerging Small Cap	1060	612.86	0.1	0.7	-0.5	851.14	0.6	3.0
FTSE Emerging Europe	112	284.03	-3.0	-6.4	6.3	423.40	8.0	4.4
FTSE Latin America All Cap	236	682.10	-2.5	1.4	13.9	1021.18	15.5	3.3
FTSE Middle East and Africa All Cap	219	603.88	-6.1	-4.0	-2.4	915.30	-0.7	3.1
FTSE Global wi UNITED KINGDOM All Cap In	327	276.91	-6.6	-15.4	-15.8	447.11	-14.0	4.0
FTSE Global wi USA All Cap	1955	490.14	-2.0	-4.8	-2.2	634.63	-1.2	2.2
FTSE Europe All Cap	1425	328.47	-5.3	-12.6	-13.9	515.05	-11.6	3.8
FTSE Eurozone All Cap	646	304.81	-4.7	-13.0	-15.0	484.11	-12.7	3.8
FTSE RAFI All World 3000	3049	5115.02	-2.8	-6.8	-5.7	6560.21	-4.0	3.5
FTSE RAFI US 1000	1005	8731.33	-2.4	-5.0	-1.3	11174.56	0.0	2.6
FTSE EDHEC-Risk Efficient All-World	3068	305.50	-2.4	-5.4	-3.2	415.89	-1.9	2.4
FTSE EDHEC-Risk Efficient Developed Europe	532	241.96	-6.1	-13.0	-13.4	360.36	-11.6	3.0

Jun 28 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil & Gas	152	326.08	-2.5	-2.5	6.9	507.85	9.0	3.8
Oil & Gas Producers	110	305.82	-2.3	-2.3	7.2	484.99	9.3	3.9
Oil Equipment & Services	32	298.33	-3.2	-3.2	7.5	423.07	9.3	3.3
Basic Materials	256	354.49	-2.5	-2.5	0.9	527.92	2.5	3.1
Chemicals	125	542.66	-3.0	-3.0	-8.3	811.89	-6.6	3.0
Forestry & Paper	16	182.74	-6.0	-6.0	-6.8	301.03	-4.4	4.1
Industrial Metals & Mining	62	279.16	-1.9	-1.9	8.5	414.39	9.4	2.8
Mining	53	430.93	-1.1	-1.1	33.2	640.64	35.1	3.3
Industrials	536	291.92	-2.8	-2.8	-2.4	411.26	-1.1	2.5
Construction & Materials	111	412.39	-3.4	-3.4	-1.6	609.18	-0.1	2.3
Aerospace & Defense	26	490.29	-2.4	-2.4	-3.2	684.48	-1.9	2.5
General Industrials	55	213.98	-2.3	-2.3	-1.4	324.71	0.3	2.7
Electronic & Electrical Equipment	69	294.92	-2.1	-2.1	-6.8	381.66	-5.9	2.2
Industrial Engineering	104	533.74	-3.7	-3.7	-0.4	739.79	1.0	2.7
Industrial Transportation	96	490.09	-2.6	-2.6	-1.0	688.99	0.4	2.7
Support Services	75	266.11	-2.9	-2.9	-3.5	359.62	-2.4	2.1
Consumer Goods	423	404.21	-1.4	-1.4	-3.0	582.90	-1.6	2.6
Automobiles & Parts	104	313.11	-2.7	-2.7	-18.0	435.15	-16.5	3.3
Beverages	48	573.17	-0.6	-0.6	0.2	836.35	1.4	2.6
Food Producers	103	570.69	-1.3	-1.3	2.1	848.74	3.8	2.3
Household Goods & Home Construction	47	394.45	-2.3	-2.3	-1.8	564.73	-0.5	2.5
Leisure Goods	31	135.68	-0.8	-0.8	2.9	175.43	3.3	1.5
Personal Goods	79	580.87	-1.8	-1.8	-2.8	795.99	-1.7	2.1
Tobacco	11	1331.53	0.4	0.4	9.4	2650.90	11.5	3.5
Health Care	177	427.64	-1.2	-1.2	-6.7	603.31	-5.5	2.1
Health Care Equipment & Services	63	677.15	-1.9	-1.9	4.2	780.34	4.7	1.0
Pharmaceuticals & Biotechnology	114	312.49	-0.9	-0.9	-10.2	459.31	-8.8	2.5
Consumer Services	393	369.26	-1.9	-1.9	-5.3	484.48	-4.3	1.9
Food & Drug Retailers	54	284.01	-1.7	-1.7	-5.3	387.96	-4.2	2.0
General Retailers	122	512.95	-1.3	-1.3	-3.7	656.03	-2.9	1.7
Media	87	275.00	-2.5	-2.5	-4.9	361.71	-3.9	2.1
Travel & Leisure	130	350.44	-2.1	-2.1	-8.1	464.70	-7.1	2.0
Telecommunication	91	161.62	-0.5	-0.5	2.6	290.47	4.8	4.1
Fixed Line Telecommuniations	42	140.99	-0.3	-0.3	6.3	277.47	8.8	4.5
Mobile Telecommunications	49	160.55	-0.7	-0.7	-2.5	261.14	-0.7	3.6
Utilities	165	252.67	0.1	0.1	6.5	472.85	8.8	3.8
Electricity	112	277.33	0.6	0.6	7.1	512.80	9.3	3.7
Gas Water & Multiutilities	53	265.38	-0.7	-0.7	5.4	510.48	7.9	4.0
Financials	690	174.83	-3.5	-3.5	-12.9	276.93	-11.2	3.6
Banks	246	147.16	-4.1	-4.1	-17.5	249.25	-15.6	4.3
Nonlife Insurance	68	196.46	-3.0	-3.0	-8.4	278.88	-6.6	2.7
Life Insurance	51	158.21	-5.5	-5.5	-20.2	245.40	-18.4	3.8
Financial Services	152	195.61	-4.0	-4.0	-12.0	263.57	-11.0	2.4
Technology	185	164.37	-2.5	-2.5	-5.7	198.05	-4.7	2.0
Software & Computer Services	89	294.15	-2.5	-2.5	-5.2	339.71	-4.6	1.2
Technology Hardware & Equipment	96	118.49	-2.5	-2.5	-6.2	147.48	-4.9	3.0
Alternative Energy	10	90.53	-3.1	-3.1	-12.4	121.01	-11.6	1.4
Real Estate Investment & Services	102	268.26	-0.4	-0.4	-5.1	435.59	-3.5	2.8

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FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	496.60	27.00	Legal & General Group PLC	178.00	13.00
Admiral Group PLC	1903	76.00	Lloyds Banking Group PLC	54.95	3.80
Anglo American PLC	644.90	15.00	London Stock Exchange Group PLC	2414	125.00
Antofagasta PLC	415.20	-7.90	Marks And Spencer Group PLC	301.40	16.20
Arm Holdings PLC	1050	22.00	Mediclinic International PLC	1045	62.50
Ashtead Group PLC	1008	33.00	Merlin Entertainments PLC	415.00	5.10
Associated British Foods PLC	2555	205.00	Mondi PLC	1290	31.00
Astrazeneca PLC	4273.5	147.50	Morrison (Wm) Supermarkets PLC	177.80	3.20
Aviva PLC	366.00	19.80	National Grid PLC	1024.5	27.60
Babcock International Group PLC	882.00	12.50	Next PLC	4745	361.00
Bae Systems PLC	483.40	14.50	Old Mutual PLC	184.20	6.10
Barclays PLC	131.50	4.30	Paddy Power Betfair PLC	7990	-70.00
Barratt Developments PLC	381.00	26.60	Pearson PLC	908.50	11.00
Berkeley Group Holdings (The) PLC	2375	34.00	Persimmon PLC	1344	34.00
Bhp Billiton PLC	879.10	37.20	Provident Financial PLC	2287	123.00
BP PLC	404.45	9.50	Prudential PLC	1190.5	85.50
British American Tobacco PLC	4555.5	100.50	Randgold Resources LD	7965	-70.00
British Land Company PLC	579.00	27.50	Reckitt Benckiser Group PLC	7062	71.00
Bt Group PLC	391.45	15.60	RELX PLC	1301	11.00
Bunzl PLC	2118	78.00	Rexam PLC	638.50	-1.50
Burberry Group PLC	1100	39.00	Rio Tinto PLC	2132.5	47.00
Capita PLC	904.50	56.00	Rolls-Royce Holdings PLC	669.50	17.50
Carnival PLC	3259	-5.00	Royal Bank Of Scotland Group PLC	173.80	-0.50
Centrica PLC	206.40	7.40	Royal Dutch Shell PLC	1929	6.50
Coca-Cola Hbc AG	1456	86.00	Royal Dutch Shell PLC	1921	14.00
Compass Group PLC	1362	17.00	Royal Mail PLC	487.70	17.80
Crh PLC	2043	93.00	Rsa Insurance Group PLC	454.60	8.60
Dcc PLC	6135	110.00	Sabmiller PLC	4310	32.00
Diageo PLC	1935	21.00	Sage Group PLC	611.50	38.50
Direct Line Insurance Group PLC	338.00	4.70	Sainsbury (J) PLC	222.00	4.20
Dixons Carphone PLC	342.00	12.00	Schroders PLC	2151	102.00
Easyjet PLC	1069	49.00	Severn Trent PLC	2296	67.00
Experian PLC	1322	19.00	Shire PLC	4244	94.00
Fresnillo PLC	1449	-34.00	Sky PLC	819.00	22.00
Gkn PLC	258.70	5.30	Smith & Nephew PLC	1196	25.00
Glaxosmithkline PLC	1514	26.00	Sse PLC	1416	47.00
Glencore PLC	138.45	2.90	St. James's Place PLC	759.50	43.50
Hammerson PLC	496.00	27.40	Standard Chartered PLC	539.00	11.00
Hargreaves Lansdown PLC	1150	94.00	Standard Life PLC	276.80	11.00
Hikma Pharmaceuticals PLC	2386	143.00	Taylor Wimpey PLC	122.00	6.20
HSBC Holdings PLC	443.60	5.60	Tesco PLC	160.45	6.80
Imperial Brands PLC	3777.5	55.50	Travis Perkins PLC	1416	68.00
Informa PLC	666.00	23.00	Tui AG	878.00	22.50
Intercontinental Hotels Group PLC	2640	41.00	Unilever PLC	3367	56.50
International Consolidated Airlines Group S.A.	357.20	13.30	United Utilities Group PLC	972.50	34.00
Intertek Group PLC	3235	130.00	Vodafone Group PLC	218.10	8.80
Intu Properties PLC	266.20	10.50	Whitbread PLC	3391	-23.00
Itv PLC	166.00	12.00	Wolseley PLC	3682	128.00
Johnson Matthey PLC	2788	9.00	Worldpay Group PLC	256.20	-1.30
Kingfisher PLC	315.70	1.00	WPP PLC	1522	46.00
Land Securities Group PLC	989.00	79.00			

UK STOCK MARKET TRADING DATA

	Jun 28	Jun 27	Jun 24	Jun 23	Jun 22	Yr Ago
SEAQ Bargains	4046.00	5761.00	5761.00	5761.00	3360.00	3140.00
Order Book Turnover (m)	173.54	220.41	220.41	220.41	99.79	68.90
Order Book Bargains	1590393.00	2775243.00	2775243.00	2775243.00	1028816.00	958942.00
Order Book Shares Traded (m)	2337.00	4004.00	4004.00	4004.00	1501.00	1354.00
Total Equity Turnover (£m)	3329.29	4284.31	4284.31	4284.31	2228.70	2314.89
Total Mkt Bargains	1682199.00	2912494.00	2912494.00	2912494.00	1103350.00	1033102.00
Total Shares Traded (m)	4285.00	6084.00	6084.00	6084.00	3364.00	3188.00

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. (u) Unavaliable. (c) Market closed.

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
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UK RIGHTS OFFERS

Issue price	Amount paid up	Latest renun. date	High	Low	Stock	closing Price p	+or-

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Albion Venture Capital Trust	Pre	2.236	1.989	1.703	1.504	2	2.1	2.5	2.5	Dec 31	5	5
Alpha Returns Group	Pre	2.257	1.22	0.516L	0.158L	0.09L	0.05L	-	-	-	-	-
BCA Marketplace	Pre	1153.1	-	3.9	0.3L	1.2	1.19L	4	-	Sep 30	6	-
Benchmark Holdings	Int	47.965	19.779	12.617L	3.837L	3.09L	2.49L	-	-	-	-	-
Blue Prism Group	Int	4.017	-	2.627L	-	7L	-	-	-	-	-	-
Bond International Software	Pre	-	-	2.04L	1.597L	5.19L	5.17	-	2.5	-	-	2.5
Carnival	Int	7357	7120	750	278	0.99	0.35	35.475	25.183	Jun 17	124.9	100.3
Carpetright	Pre	456.8	469.8	12.8	6.6	14.9	6.7	-	-	-	-	-
CloudBuy	Pre	1.748	2.125	6.065L	4.625L	4.8L	4.1L	-	-	-	-	-
Cohort	Pre	112.577	99.938	5.31	5.947	19.14	14.04	4.1	3.4	Sep 21	6	5
Creightons	Pre	21.153	21.093	1.329	0.851	2.23	1.43	-	-	-	-	-
Cropper (James)	Pre	87.92	83.052	3.868	2.575	32.6	20.8	7.1	6.3	Aug 12	9.3	8.5
HML Holdings	Pre	18.564	17.227	1.212	1.139	2.7	2.5	0.33	0.3	Oct 17	0.33	0.3
Ocado Group	Int	584.2	507.7	8.5	7.2	1.45	1.23	-	-	-	-	-

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)
06/21	50.00	AIM	COM	Comptoir Group PLC	65.50	0.50	70.90	50.00	6288.0
06/15	300.00	AIM	GROW	Draper Esprit PLC	302.50	-4.00	312.00	295.00	12303.9
06/15	3.30	AIM	MKA	Mkango Resources Ltd	4.38	-0.49	5.89	3.25	310.9
06/09	221.00	AIM	MPH	Mereo BioPharma Group PLC	292.00	-3.00	303.00	240.00	18787.5
05/27	75.00	AIM	DCTA	Directa Plus PLC	138.00	-13.50	215.25	83.00	6101.4
05/26	160.00	AIM	JOUL	Joules Group PLC	175.50	-6.50	199.00	160.00	15356.2
05/18	130.00	AIM	ONC	Oncimmune Holdings PLC	116.50	-5.50	140.00	115.50	5944.3

§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.