

Democracy is down but not out

GIDEON RACHMAN, PAGE 9

A Nikkei Company

In his first trip abroad since a failed coup, President Erdogan of Turkey is visiting Russia. The nations hope to boost economic ties after trade between them was hit by Turkey's downing of a Russian jet in November

INTERNATIONAL

Akihito message

Emperor’s speech spurs Japan royal debate

Abdication signal likely to worry conservatives about female succession

KANA INAGAKI — TOKYO

Japan’s Emperor Akihito signalled his intention to abdicate in an emotional speech that could open up debate on how the world’s oldest royal family should adapt to the modern era.

The 82-year-old emperor, who has reigned since 1989, has been treated for cancer and heart problems in recent years. He cited his age and failing health in expressing concerns about fulfilling his role, heavy travel across the world and his ability “to stand by the people”.

“When I consider that my fitness level is gradually declining, I am worried that it may become difficult for me to carry out my duties as symbol of the state with my whole being as I have done until now,” the emperor said in a 10-minute message aired on television.

The emperor’s intention to step down in a few years’ time, first reported by public broadcaster NHK last month, has no precedent in modern Japan. But recent opinion polls have shown strong public support for his retirement.

Experts say the move could rekindle a national conversation on whether a woman should be allowed to occupy the Chrysanthemum Throne as it provides an opportunity to change the 1947

Imperial House Law that restricts succession to the emperor’s male line.

“The conservatives are leery of opening the Pandora’s Box of the Imperial Household Law because once you change a part of it, it will inevitably lead to debate about what else might be changed,” said Jeff Kingston, professor of Asian studies at Temple University in Tokyo. “Clearly female succession is on the radar screen of many people.”

Another worry for conservatives, Prof Kingston said, was the possibility that the focus on the imperial system could divert attention away from the debate on revising the country’s pacifist constitution at a time when Prime Minister

Shinzo Abe’s ruling coalition has won the two-thirds majority needed for constitutional reform.

The topic of female monarchs, however, has been repeatedly shelved in the face of opposition from traditionalists and poses a complex challenge for Mr Abe, who has pushed for the empowerment of women. Shortly after the emperor’s speech, Mr Abe said the government would consider what could be done in view of the emperor’s age and strains from official duties. “I take it very seriously that the emperor has spoken to the people,” he added.

Yesterday’s message was the emperor’s second-ever televised

speech, after he called in 2011 on “each and every Japanese” to help each other in the aftermath of Japan’s earthquake and tsunami.

Speaking slowly and using ambiguous language, Akihito, Japan’s 125th emperor, emphasised he was speaking as an individual and avoided directly using the word “abdication”, underlining his heavily constrained role as a figurehead stripped of political powers.

There is no provision in Japanese legislation that allows an emperor to abdicate, so a new clause or revision would be needed to make it possible. Using the term, experts say, could imply that the emperor was intervening in politics

in violation of the postwar constitution.

Still, the emperor was forthright in questioning the limits of the current imperial system, indicating he did not want to continue as emperor by cutting back on his duties or having the crown prince act in his place. “When the emperor has ill-health and his condition becomes serious, I am concerned that, as we have seen in the past, society comes to a standstill,” the emperor said. “It is my hope . . . that the duties of the emperor as the symbol of the state can continue steadily without a break.”

Crown Prince Naruhito, who at 56 is the emperor’s eldest son, would succeed to the throne but his only child Aiko, a girl, could not follow him under Japan’s male-only succession laws.

It is not the first time Emperor Akihito, whose father announced Japan’s surrender in the second world war, has broken with tradition during his reign, an era known as *Heisei*, or “achieving peace”. He married a commoner at the age of 25 and has tried to close the distance between the royal family and his people, comforting victims of natural disasters and visiting battlefields to heal wartime wounds.

Timeline

Eldest son of Hirohito now plans to step down

December 1933 Tsugunomiya Akihito, pictured, is born in Tokyo as fifth child and eldest son of Emperor Hirohito and Empress Nagako.

August 1945 Hirohito announces Japan’s surrender in the second world war.

November 1952 Akihito invested as crown prince and declared rightful heir

to the Japanese throne. Represents Japan at coronation of UK’s Queen Elizabeth II the following year.

April 1959 Becomes first member of imperial family to marry a commoner, Michiko Shoda, daughter of a wealthy businessman. Their eldest son, Hironomiya Naruhito, is born the following year.

January 1989 Becomes 125th emperor after father’s death and is enthroned 10 months later as country’s asset bubble bursts.

October 1992 Becomes first



Japanese monarch to visit China, where he acknowledges Japan’s wartime occupation “inflicted great suffering on the people of China” but does not formally apologise.

December 2001 Princess Aiko, Akihito’s grandchild, is born. His first grandson, Prince Hisahito, is born five years later.

November 2011 Hospitalised and has treatment for bronchial pneumonia. Undergoes heart bypass surgery the following year.

July 2016 State broadcaster NHK reports that he plans to abdicate.

FT

Video

Emperor Akihito has announced his intention to abdicate. Kana Inagaki explains why

ft.com/videos



Deep water Tokyo objects to East China Sea patrols

An incident in the South China Sea, where international attention has been focused — Erik De Castro/Reuters

China has deployed additional coast guard patrols in a disputed region of the East China Sea even though Japan has objected to a record number of vessels there, threatening an escalation in tensions between the two nations.

Tokyo has complained repeatedly to Beijing in the past few days about a “flotilla” of Chinese fishing vessels, accompanied by coast guard ships, near the disputed Senkaku Islands, which are known as the Diaoyu Islands in China.

An estimated 230 vessels have arrived since August 1, the start of the fishing season in eastern China.

The stand-off in the East China Sea heightens tensions at a time when international attention is focused further south, on China’s territorial claims and construction of artificial islands in the South China Sea.

Last month an international arbitration court ruled against most of Beijing’s claims in the South China Sea.

Over the weekend China’s air force conducted flight patrols over the islets in what it has said will become “regular practice” to defend its claims.

“We will continue to strongly urge China not to escalate the situation,” said Yoshihide Suga, Japan’s chief cabinet secretary, yesterday. His

government would respond “firmly and calmly”, he added.

Late on Sunday China’s State Oceanic Administration said it would add two coast guard vessels to the seven in the region. Japan said 14 had entered the region over the weekend, and Mr Suga said 12 remained.

Tokyo also objects to a radar installation on an offshore gas platform, which Beijing has said is to be used for ship detection.

Japan’s defence ministry said it spotted the radar on one of 16 gas drilling platforms on the Chinese side of the main natural gasfield.

In 2008 the two countries agreed

to develop the gasfield jointly but they have not actually done so.

The renewed jostling over the East China Sea comes after Shinzo Abe, Japanese prime minister, won the two-thirds majority he needed to revise the pacifist constitution in parliamentary elections last month.

In both China and Japan domestic attitudes have hardened under the more assertive leadership of Mr Abe and Xi Jinping, Chinese president.

That makes it harder for any nation to back down if a minor incident on the high seas escalates into a diplomatic showdown.

Kana Inagaki and Lucy Hornby

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Cultural exports

Seoul missile move damps ‘Korean Wave’

SONG JUNG-A — SEOUL

Fears are growing in South Korea that China’s love affair with its vibrant pop culture is on the wane amid rising tensions between the two countries over Seoul’s planned deployment of a US anti-ballistic missile system.

Concern over the country’s popular cultural exports — known across Asia as the Korean Wave or *Hallyu* — has increased in recent weeks.

A number of Korean actors and singers cancelled promotional events in China — Korea’s largest export destination for its dramas, music and films — “for reasons beyond their control.” The moves have prompted sharp falls in shares in leading Korean entertainment companies.

“I’ve seen signs of our cultural exports facing a barrier in China as provincial governments and private companies try to read Beijing’s mind, although there has been no direct order from Beijing to block bilateral cultural exchanges,” said Kim Jae-hong, vice-chairman of the state-run Korea Communications Commission.

The concerns come as China’s state-

run media continue to warn that Beijing could launch economic retaliation against South Korea over its decision last month to deploy the terminal high-altitude air defence platform, or Thaad, despite China’s strong opposition.

“It is certain that the Korean Wave or *Hallyu* will inevitably feel the chill in China if Seoul sticks to the Thaad deployment, further intensifying political tensions in the bilateral relationship,” China’s Global Times said last week.

“The Korean Wave will inevitably feel the chill in China if Seoul sticks to the Thaad deployment”

“By then, there will be no need for any official order as TV stations that broadcast South Korea dramas will be resisted by Chinese citizens.”

Last weekend, two Korean actors, Kim Woo-bin and Bae Suzy, who co-star in the popular Korean soap opera *Uncontrollably Fond*, had to postpone an appearance in China at the last minute, while two popular Korean bands have

cancelled appearances on Chinese TV shows and at promotional events.

Talent agencies YG Entertainment, SM Entertainment and JYP Entertainment have seen their share prices slide by more than 15 per cent over the past month, while CJ E & M, the country’s biggest entertainment producer, has lost 8.6 per cent of its market value.

Tourism businesses are also concerned about the potential impact of the Thaad deployment. China has recently toughened visa rules for Korean business people and Beijing has cancelled the licence of a visa broker that specialised in assisting Koreans with applications.

Last month, China’s Qingdao city government cancelled its participation in a Korean food festival, citing the “ill timing given the current diplomatic atmosphere”.

Wang Junsheng, a north-east Asia studies expert at the Chinese Academy of Social Science, said: “Chinese society’s positive attitude towards South Korea is the base for the Korean Wave. The deployment of Thaad destroys this affection base.”

Additional reporting by Lucy Hornby and Luna Lin in Beijing

Horn of Africa

Ethiopian regime denies firing on protesters as unrest grows

EDITH HONAN — NAIROBI

A wave of anti-government protests is endangering the political stability of Ethiopia, one of Africa’s best-performing economies.

Thousands of people took to the streets in Addis Ababa, the capital, in towns across Oromia, a restless region of central and southern Ethiopia, and in Bahir Dar in the north over the weekend.

Activists accused government forces of firing on protesters, and Amnesty International said at least 67 people had been killed and hundreds wounded.

The government has denied that live ammunition was used.

“What we are seeing is very localised protests merging into a much larger political threat against the government,” said Rashid Abdi at the International Crisis Group think-tank. “The government is fearful that these protests may actually engulf the whole country. That is why you are seeing this heavy-handed crackdown.”

Protests erupted in Oromia in November over disputes about land and municipal boundary changes. But they have grown in intensity and spread to northern towns dominated by the Amhara ethnic group. A huge demonstration in the historic city of Gondar on July 31 was followed by calls for nationwide protests at the weekend.

Michelle Kagari at Amnesty said the security forces’ response had been “heavy-handed but unsurprising”.

Ethiopia has been a darling of foreign investors as it makes the transition from a predominantly agrarian society to one of Africa’s star economic performers. It has repeatedly posted double-digit growth over the past decade, fuelled by rapid urbanisation and attempts to industrialise.

“This is by far the biggest demonstration in terms of size and co-ordination across Oromia”

But the autocratic ruling regime is clamping down on dissent, jailing journalists and failing to address inequality. Since elections last year the Ethiopian People’s Revolutionary Democratic Front, which has governed since 1991, has every seat in parliament.

Human Rights Watch said in June that at least 400 people, many younger than 18, had been killed and thousands injured in the protests, with hundreds of people who took part in demonstrations believed to have disappeared.

Protests have been rare since the EPRDF came to power.

“There are no opposition voices in parliament or in local administration,” said Yoseph Badwaza at the Washington-based Freedom House. “There is barely an independent press. Taking to the streets in such large numbers is the people finding a voice.”

Videos on social media showed protesters in Addis Ababa and Oromia holding placards calling for the downfall of the government amid clashes with security forces.

On Saturday Getachew Reda, the communications minister, denied that protesters had been killed. He accused “armed protesters” of “trying to arm-twist the security forces into shooting”.

He told the Financial Times the protests were “illegal” and that “scores” of people had been arrested.

Internet access has been severely restricted in Oromia, making it hard to verify details of the protests.

About 40 per cent of Ethiopia’s 90m people are Oromo. Amhara make up about a quarter of the population. However, it is the Tigrayan ethnic group, making up only about 6 per cent of the population, that dominates federal institutions.

“The dynamic has shifted and people are now calling for the downfall of the government,” said Jawar Mohammed, who runs the Oromia Media Network in Minnesota.

“This is by far the biggest demonstration that Ethiopia has seen in terms of size and co-ordination across Oromia.”



INTERNATIONAL

Trump’s trade fears resonate in car country

Tycoon appeals to blue-collar workers in Michigan but changed demographics mean Republican faces uphill battle

SAM FLEMING AND PATTI WALDMEIR
MACOMB COUNTY, MICHIGAN

Nelson Westrick says he won the middle-class lottery when he clinched a job at one of America’s big three carmakers two decades ago, armed with a high school diploma.

Now the union member fears poor trade deals and manufacturing decline have pushed his lifestyle — a home in suburbia with two cars in the garage — beyond the reach of the next generation of blue-collar workers. The one-time supporter of President Barack Obama is turning to Donald Trump, the Republican nominee, for answers.

“That American dream is leaving. It is leaving fast,” said Mr Westrick, 40, relaxing after his shift at Ford Motor Co near his small swimming pool in a leafy street in Macomb County, Michigan. “We are doing all right but I have had the same job for 20 years. Younger guys coming up are not in the same boat. They are hurting.”

Macomb County, where Mr Westrick lives and works, is the spiritual home of the unionised manufacturing workers who ditched the Democrats and helped propel Ronald Reagan to the White House in 1980. Mr Trump, who chose Detroit for a speech yesterday to unveil his economic policies, is now attempting

to achieve a repeat performance. The region is pivotal to his hopes of winning over Midwestern blue states in November by appealing to white, working-class men to turn out for him in large numbers.

The latest polling in Michigan suggests he faces an uphill battle — even if he is making headway in Macomb County itself. Democrat rival Hillary Clinton leads Mr Trump 41 per cent to 32 per cent in the state, according to a survey of 600 likely voters for The Detroit News and WDIV-TV.

Senior Democrats and union leaders say they are confident Mr Trump will fail. The last time Michigan went Republican was 1988, and unions in the state claim factors such as the government rescue of the car sector under Mr Obama will help sway members towards the Democrats.

Ron Bieber, head of the state’s AFL-CIO federation of unions and a third-generation member of the Union of Auto Workers, says: “I’m sure our members will come to the realisation that Hillary Clinton has working people’s interests in her heart more than Donald Trump. It’s going to be an easy sell to our members when we tell the real story.”

Yet some rank-and-file members dispute the idea they will obediently vote

as union bosses suggest. Mr Westrick says many of his colleagues were Bernie Sanders supporters now contemplating crossing the divide in favour of Mr Trump, who like Mr Sanders has championed an aggressive posture on trade.

Mr Trump swept to victory in Michigan in the Republican primary in March and clinched a commanding lead in Macomb. “I look at Mr Trump, I see that he is an east coast Republican, but honestly he seems to have more in common with the Midwestern blue-collar people,” says Chris Vitale, a Chrysler

worker who voted for Mr Obama in 2008 but is supporting Mr Trump.

“He seems to realise that manufacturing creates wealth, it is an important thing for this country. We can’t just all go around performing service jobs, cutting each other’s hair and mowing each other’s lawns.”

Other car workers agree that the Democrats ignored manufacturing and have presided over trade deals that have left industry vulnerable to competitors in China and Mexico. “Trump is the first dude in 20 years who has identified the

problem,” says Donald Marshall Jr, a car worker sitting in a hot dog café across the road from a Ford plant.

The property mogul has hammered the latter message home relentlessly, threatening to rewrite trade deals including Nafta, which was introduced by Mrs Clinton’s husband Bill in the 1990s. Earlier this month the Republican candidate predicted he was going to “do great” in Michigan, in part because he had long been warning about the loss of car jobs to Mexico.

Car industry employment in the Detroit area has rebounded since the rescues during the financial crash, but it remains below 100,000, half the levels in the early 1980s, says the Center for Automotive Research in Ann Arbor, Michigan. “We open up areas of the country that other people don’t,” said Mr Trump, who has been battling to get his campaign back on track following a spate of self-inflicted wounds.

Richard Czuba, a pollster from the Glangariff Group, says Macomb County is proving “very competitive” this year, while Mr Trump is having more trouble in neighbouring Oakland County despite its strong Republican base.

The recent Michigan poll, which Mr Czuba conducted, puts Mr Trump ahead of Mrs Clinton in Macomb County

and highlights it as the only part of the state where the electorate sees him as qualified to be president.

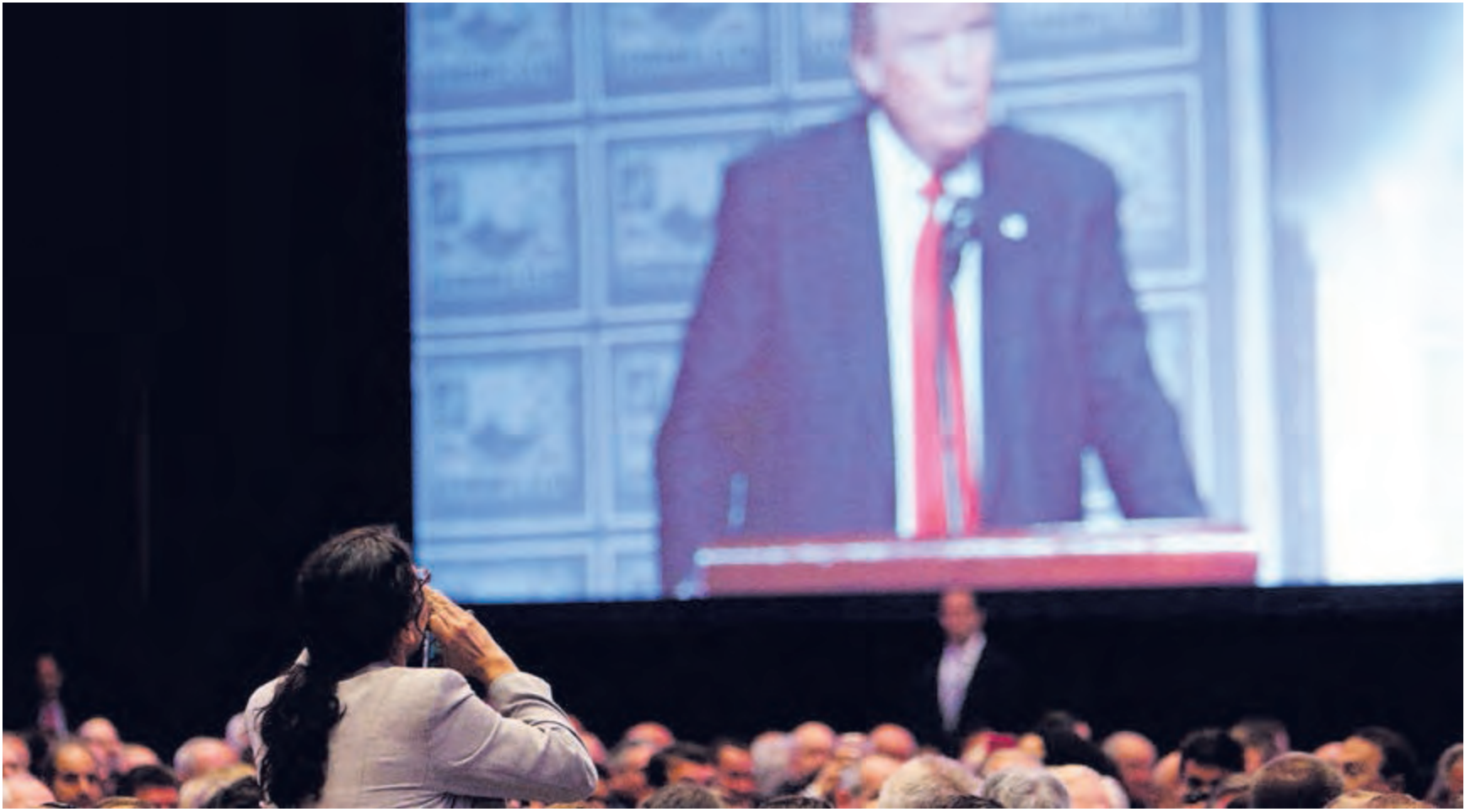
Mr Trump’s tough message on trade and national security is “resonating very well with people here”, says Jamie Roe, a Michigan political consultant.

Mr Trump’s strategy for the Midwest relies on his boosting turnout among the white men who have formed the core of his support. His problem is that Macomb County, like Michigan as a whole, has become more diverse since Mr Reagan swung it round.

James Jacobs, the president of Macomb Community College and a longtime observer of the region’s politics, says that demographic changes are among the reasons why it is misguided to draw a “cookie cutter” parallel with the Reagan Democrats of the 1980s.

Sandy Levin, a Democratic congressman whose district encompasses a chunk of Macomb County, predicts the more Mr Trump’s own business practices are discussed, “the worse will be the Trump appeal to working families”.

Nevertheless, many of Mr Trump’s blue-collar supporters are hugely excited about their candidate. Mr Westrick says: “I’m pumped. I was born in 1975. I have never had this much passion for a candidate.”



Heckled: a protester yells out yesterday as Donald Trump speaks to the Detroit Economic Club in the city. Michigan is pivotal to his hopes of winning over Midwestern Democratic states — Reuters/Eric Thayer



Economics. Mainstream appeal

Traditional conservative plan aims to reboot campaign

SAM FLEMING AND SHAWN DONNAN
WASHINGTON

After two weeks of torrid headlines and falling poll ratings, Donald Trump attempted to relaunch his campaign yesterday with a platform that sought to reassure a constituency that has become increasingly worried by his candidacy: mainstream Republicans.

The property mogul has been effective in harnessing the passions of working class white voters with a populist agenda that defies Republican norms by attacking trade deals and pledging to punish companies that outsource jobs.

But in unveiling a plan that promised to “jump-start America” through big tax cuts for companies and a deregulatory drive to help small business, Mr Trump appeared to be reaching out to a more traditional conservative base.

The speech, which was repeatedly

interrupted by protesters, might reassure some Republican voters seeking more traditional conservative policies from their irreverent candidate. But it will also leave him open to attack by Hillary Clinton’s campaign, who want to puncture his man-of-the-people image by playing up controversies over how he has treated workers and sales in the US of goods manufactured overseas.

David Malpass, an adviser on Mr Trump’s recently unveiled economic panel, told the Financial Times that the campaign’s programmes aimed at boosting GDP would excite Mr Trump’s existing base. “This should be very appealing to people that want to get a wage increase, that haven’t been getting wage increases, and to people who have been left out of the prosperity process,” he said. “This is directly aimed at bringing more people into the labour force by creating jobs.”

Among the ideas are a temporary moratorium on regulations, a cut in the top rate of corporation tax to 15 per cent from 35 per cent, a collapsing of the number of tax brackets, and opening up more territory for energy exploration. “We will make America grow again,” Mr Trump said, comparing his tax agenda to that of Ronald Reagan in the 1980s while accusing Mrs Clinton of wanting to punish companies for doing business in the US.

However, Mrs Clinton’s campaign issued a note yesterday decrying policies including tax breaks for the wealthy and big companies, plans to roll back Wall Street regulation and the absence of paid family leave or a clear stance on the federal minimum wage.

The release claimed Mr Trump’s plans would drive the US into recession, citing plans such as mass deportations of undocumented immigrants, and

attacked him for proposing “reckless tax cuts that will add trillions to the debt to benefit the wealthy, Wall Street and big corporations”.

The AFL-CIO trade union federation attacked Mr Trump’s economic panel, calling it an “all-white, all-male, Wall Street banker economic team”, and accusing him of taking the advice of people who made millions off the backs of “hardworking families”.

Yesterday’s speech, Mr Trump’s advisers said, was intended to flesh out his policies and also to return the focus of the campaign to what has been a successful message for the businessman — that the US economy is broken and failing to deliver for many Americans.

But it also comes as recent polls have shown Mrs Clinton gaining on him among white voters and as the candidate they would trust most to deal with the economy.

A Washington Post/ABC poll at the Weekend found her leading 48 per cent to 46 per cent as the candidate voters would trust most to handle the economy. It also put her in front 51 per cent to 41 per cent on taxes and 54 per cent to 40 per cent on international trade agreements, the ripping up of which Mr Trump has made one of the centrepieces of his campaign.

Michael Strain at the American Enterprise Institute said measures such as a moratorium on regulations could well appeal to Republican voters who Mr Trump may have been losing “as a consequence of his antics”. Mr Strain singled out proposals from Mr Trump to exclude childcare expenses from taxation as a potential lure to a broader group of voters. “The big open question is the bleeding from the last couple of weeks: how much is permanent and how much is not,” he said.

Olympics US Muslim fencer acts as a foil to racism while carving out her place in history



MURAD AHMED — RIO DE JANEIRO

Ibtihaj Muhammad was drawn to fencing because of the uniform. As a Muslim woman, she can compete while covering her head, arms and legs.

Despite being involved in a niche sport and defeated in the round of 16 in the women’s sabre fencing event yesterday, Muhammad is one of the most discussed athletes at the games in Rio — all because she is the first woman to compete for the US wearing a hijab.

The fencer has used her status as an Olympian to take on issues beyond her sport — warning about the rising bigotry faced by Muslim Americans.

In particular, Muhammad has become a vocal opponent of Donald Trump, the Republican nominee for president who has called for a temporary ban on Muslims entering the US in response to Islamist terror attacks in the country and abroad.

“It’s a very slippery slope when you use hateful rhetoric, when you openly use bigoted comments towards a group of people and you encourage violence, so I’m hoping that the rhetoric changes and changes fast,” she told reporters in Rio.

The US Olympic Committee had con-

sidered the 30-year-old to carry its flag at the opening ceremony. That might have been considered a political act: an African-American woman in a headscarf leading the US team out at the Brazil games, while back home a divisive election splits voters over racial and religious matters

Eventually the USOC chose a safer — if popular — option: swimmer Michael Phelps, the most decorated Olympian of all time.

In Rio, Muhammad has continued to be as much an activist as an athlete.

“I’m hoping that just my presence on Team USA changes the misconceptions that people may have about the Muslim community,” she said. “I feel that our conversation about the Muslim com-



Ibtihaj Muhammad: uses her status to take on issues beyond fencing

munity has to change.” Muhammad, ranked number two in the US, discussed the discrimination she has faced during her career, saying some expressed fear at seeing a black woman carrying a sword — even if it is in training.

“I had somebody follow me home from practice and try to report me to the police, and this is right on 20th (Street) and Seventh (Avenue) in New York City,” she said.

Female athletes competing in a hijab are still rare at the games. Only two years ago, international football and basketball authorities lifted bans on players wearing headscarves.

Some scholars in Islamic countries believe it is immodest for women to participate in sport at all. At the London

Olympics in 2012, only a handful of athletes competed wearing a hijab. They included judo player Wojdan Shaherkani, the first woman to compete in the games for Saudi Arabia. Reports at the time suggested she received a mix of praise and criticism back home.

Muhammad’s hope for a podium finish now lies in the team sabre competition on Saturday, where the US is led by Mariel Zagunis, a gold medallist in two previous Olympics.

However, it will be off the piste that Muhammad will have the biggest impact. “This is who I am — being American, being African-American, and being a Muslim, being a woman. These are all things that I can’t change, and I wouldn’t change for anything.”

INTERNATIONAL

Quetta massacre

Pakistan hospital blast leaves dozens dead

Suicide bomber targets lawyers protesting at colleague's assassination

FARHAN BOKHARI — ISLAMABAD

A suicide blast at a hospital in Pakistan's south-western city of Quetta yesterday killed at least 67 and injured dozens more, raising fears that militant groups in the region are becoming increasingly sophisticated in their attacks.

A lone bomber blew himself up amid a group of lawyers that had gathered at the main government hospital to protest against the assassination earlier in the day of Bilal Anwar Kasi, president of the bar association in Baluchistan.

A senior police officer in Quetta, provincial capital of Baluchistan, told the Financial Times the assassination and bombing appeared to have been "highly

co-ordinated", adding that "the objective behind the killing was to provoke a lawyers' protest outside the hospital, which created a target for the suicide attack".

Jamaat-ur-Ahrar, a faction of the Pakistani Taliban, claimed responsibility for the bombing in a statement, although it was not immediately clear if it had actually carried out the attack as it has reportedly made false claims in the past.

The attack came ahead of this Sunday's annual celebrations marking Pakistan's August 14 independence day. Rahmat Saleh Baloch, the provincial health minister, pointed out that the large number of injured in the attack meant the death toll was expected to rise.

Civil and military leaders claim to have blocked Taliban militants from making further advances after a mili-

tary-led campaign launched last year. But large-scale attacks have continued.

"Militant groups seem to be getting stronger, although we claim to have broken their backs," said Mahmud Durrani, a retired major general and former national security adviser to the prime minister's office.

"Clearly there is a long way to go before we can take charge."

Western diplomats warned that the attack may further weaken Nawaz Sharif, the prime minister, at a time when the Pakistani leader already faces concerns over his health and criticism over the discovery of substantial off-shore wealth belonging to three of his children.

Mr Sharif's relations with the army are also likely to be tense as he prepares to appoint a successor to General Raheel Sharif, the popular army chief who is due to retire in November.

The military has ruled for almost half the country's 69 years of existence as an independent state and remains powerful.

"Pakistan needs to become united as never before," said one western diplomat. "But the [civilian-military] internal divisions continue to raise the risk level."

A member of the legislature of Baluchistan in Quetta said there were gaps in the local security framework, including a poorly trained police and civilian police intelligence force.

"It is essential to reach out to the small corners of urban areas so that you know what is happening in your back yard," he said.

Others warn that a failure to move rapidly in blocking advances by militants will only increase the risk of Isis, the jihadi group, gaining ground.

In January a suicide bombing claimed

by militants thought to be seeking inclusion in Isis killed 14 police officers preparing to spend a day guarding a Quetta clinic offering polio vaccinations, which Islamists denounce as a covert western ploy to sterilise Muslim children.

Pakistani leaders have denied the presence of Isis in the country, but some officials say local groups dedicated to the hardline Sunni Wahhabi branch of Islam that originated in Saudi Arabia are seeking to establish links with the jihadi group.

"The need to clamp down hard on militants is very urgent," said Syed Muhammad Raza, a member of the Baluchistan provincial assembly. "We can't afford to lose more time."

Yesterday's attack was the worst in Pakistan since an Easter day bombing in a Lahore park killed at least 72. Jamaat-ur-Ahrar also claimed responsibility for that attack.



Aftermath: volunteers carry an injured man from the scene of the blast in Quetta, main picture, which hit the hospital, top, killing at least 67, while right, a man learns of his relative's death

Nasser Ahmed/Reuters; Fayyaz Ahmed/EPA



Syria. Opposition stronghold

Supplies of arms and cash help rebel advances in Aleppo

Foreign backers believed to have bolstered offensive led by jihadi group Fatah al-Sham

ERIKA SOLOMON — BEIRUT

Syria's opposition has hailed rebel advances in the strategic city of Aleppo as a stunning success for ragtag forces, while the international community watched 300,000 Syrians suffer a weeks-long siege.

But the offensive against President Bashar al-Assad's troops may have had more foreign help than it appears — activists and rebels say opposition forces were replenished with new weapons, cash and other supplies before and during the fighting.

"At the border yesterday we counted tens of trucks bringing in weapons," said one Syrian activist, who crosses between Syria and neighbouring Turkey. "It's been happening daily, for weeks . . . weapons, artillery — we're not just talking about some bullets or guns."

Two other rebels who, like all those interviewed, asked not to be identified due to the sensitivity of the subject, described cash and supplies being ferried in for weeks. They and others believe the money and supplies came from regional backers, including Saudi Arabia and Qatar, and were trucked across Turkey's border with Syria.

This was in spite of the fact that the rebel offensive — dubbed "The Great Aleppo Battle" — has been led and organised by Jabhat Fatah al-Sham, a jihadi group that was formerly known as Jabhat al-Nusra.

Some rebels claim that US officials supporting moderate rebel forces intentionally turned a blind eye to Fatah al-Sham's participation in the offensive to ensure the opposition maintained a foothold in Aleppo. "The Americans of course knew what was going on. They ignored it to put some pressure back on Russia and Iran," said a western diplomat in contact with the opposition.

Both Iran and Russia back the Assad regime, and Russian air power was critical to the government holding its weeks-long siege on rebel-held areas of Aleppo.

Rebel fighters claim they broke the siege on their territory when they advanced into regime-held districts over the weekend and have vowed to retake the whole of Aleppo.

They say there are strong strategic reasons for some foreign powers to want to quietly help the opposition in Aleppo. The city is Syria's largest and the last remaining urban stronghold of the

'The Americans of course knew what was going on. They ignored it'

Western diplomat

rebels, who have been fighting a five-year revolt against Mr Assad. Without it, they could become a rural rebellion with far less pressure to bear on political negotiations that world powers hope will end the bloodshed.

The rebels' foreign backers have grown increasingly frustrated over missed deadlines for peace talks that are to be brokered by the US and Russia.

Washington set the last deadline for

August 1, which it and Moscow then ignored. Instead, US and Russian officials said they were close to finalising a plan to jointly target Jabhat al-Nusra, which was al-Qaeda's Syria affiliate, and Isis. In weeks of unresolved wrangling over that plan, Nusra dissolved itself, revoked direct ties to al-Qaeda and renamed itself Jabhat Fatah al-Sham. It is now credited with masterminding the rebels' Aleppo advances.

Adel Jubeir, Saudi Arabia's foreign minister, has warned that Riyadh could increase military aid to the rebels if attempts to resolve the conflict politically were further disregarded. "A lot of money has gone in the last month to get all these [rebel] groups to play along [co-ordinate]," said one opposition figure based in Turkey. "That's the only way you get these guys to work together — you have to pay them."

Still, some Syria observers believe the role of Fatah al-Sham, not foreign help, explains the change in the rebels' fortunes. "The rebels' problem has never been a lack of weapons," the western diplomat said. "This was internally planned, and it succeeded not because

of outside support but because Fatah al-Sham and the other jihadi groups are incredibly disciplined with plenty of guys willing to blow themselves up at the front."

But a military analyst close to Gulf officials suspected some fighters working with Fatah al-Sham may not only have received weapons, but also training. He cited a video of artillery strikes that showed explosions timed to hit within seconds of one another.

"That is not a [dysfunctional] rebel group. That's a well-trained force. They were landing 10 shells within a 100-metre square radius," he said, asking not to be named because he suspected there was Gulf or Turkish involvement. "You need someone to train you . . . in a way someone who understood military doctrine would."

Two other opposition figures said one of the Islamist forces aligned with Fatah al-Sham had received outside training in recent months. The problem, critics argue, is that a jihadi-led campaign has emerged as the biggest opposition success story after years of daily bombardment in Aleppo.

Iberia. Tourism

Spain makes most of quiet life as terror blights rival destinations

Overseas spenders are avoiding north Africa, Egypt, Turkey and France after attacks

ALISTAIR DAWBER — MADRID

Balancing shakily on her two-wheeled Segway, Valerie Matthews, who has travelled from the US city of Nashville to Spain with her 13 year-old granddaughter for a summer holiday, says she is up for a challenge.

"As many steps and bumps as possible, please," she tells the guide from Madseg, one of several companies offering tours around Madrid on the battery-powered upright scooters.

In terms of her choice of holiday destination, however, Ms Matthews is playing it safe. As resorts in countries such as Turkey, Egypt and now France, lose tourists due to the threat of terrorism or domestic strife, Spain has seen a surge in holidaymakers.

Egypt has reported a 60 per cent drop in visitor numbers so far this year, along with falls in other Middle Eastern and north African destinations after several years of instability. Hotel bookings in France's Riviera region also dropped by as much as 30 per cent after last month's terrorist attack in Nice, according to France's economy ministry.

By contrast, in the first six months of this year, the number of foreign visitors to Spain was up 12 per cent on the first half of 2015. Tourist spending was also up 12.7 per cent in June on the same month last year. Tourism offices in many destinations, especially the popular package resorts on the Costas, are reporting that hotels are packed.

"I first came to Spain 1996 and fell for the place," says Ms Matthews. "I would love to visit Egypt but the upheaval there puts me off. Why would I go at the moment? I'd like to visit France, but look what happened in Nice — that also seems to be a problem. Spain is fine for me."

Despite a spate of arrests of suspected jihadis across the country, and a warn-

'Doubts about other holiday destinations and a relatively low euro have helped in recent years'

ing from Isis and other groups that the Iberian peninsula is a target for attacks, Spain has so far been spared the violence seen elsewhere in recent months. Memories of the 2004 bombings by a local al-Qaeda cell at Madrid's Atocha railway station are fading in the minds of tourists, say security experts.

Spain has come to rely ever more on tourism as it has emerged from recession, having been battered by a sharp downturn at the start of the decade. Tourism makes up 14 per cent of gross domestic product, according to the most recent central bank data in January.

Spain's economy is expected to grow 2.9 per cent this year, overtaking previous estimates of 2.7 per cent. The high unemployment rate, which at 20 per cent is second only to Greece among EU members, is also falling, partly thanks to tourism. On August 2, the registered jobless rate dropped to its lowest level in seven years, with the service sector accounting for more than 50,000 of the 84,000 new jobs in July.

"The tourism industry has been good for Spain and, in the short term, it is providing a boost to the economy. Doubts about other holiday destinations and a relatively low euro have really helped in recent years," said Stephen Brown, European economist at Capital Economics.

However, he added: "There is a danger that the government relies too much on tourism to justify improving employment patterns. Largely these are low-skilled jobs that can easily disappear."

Britons, the largest group of visitors to Spain, pose another risk. The pound has lost a tenth of its value against the euro since the UK voted to leave the EU.



Madrid: Spain has seen an upturn in visitor numbers and spending

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EU migration

Attacker was ordered to leave Belgium

RICK MERTENS — BRUSSELS

The man who injured two police-women with a machete in a suspected terror attack in the Belgian city of Charleroi on Saturday had been earmarked for deportation.

Belgian authorities have confirmed that the Algerian assailant had lived in Belgium since 2012 and ignored two expulsion orders. The 33-year-old, who was shot dead by police during the attack, was known for petty crime.

Police have been on high alert after a string of terror attacks involving the country. In the most deadly, in March, 32 people died in bombings in Brussels.

Paul Magnette, Charleroi mayor, called for expulsion orders to be executed promptly. "A person who stays

[here] and commits criminal acts does not have the right to remain on Belgian territory," he told RTBF public radio yesterday.

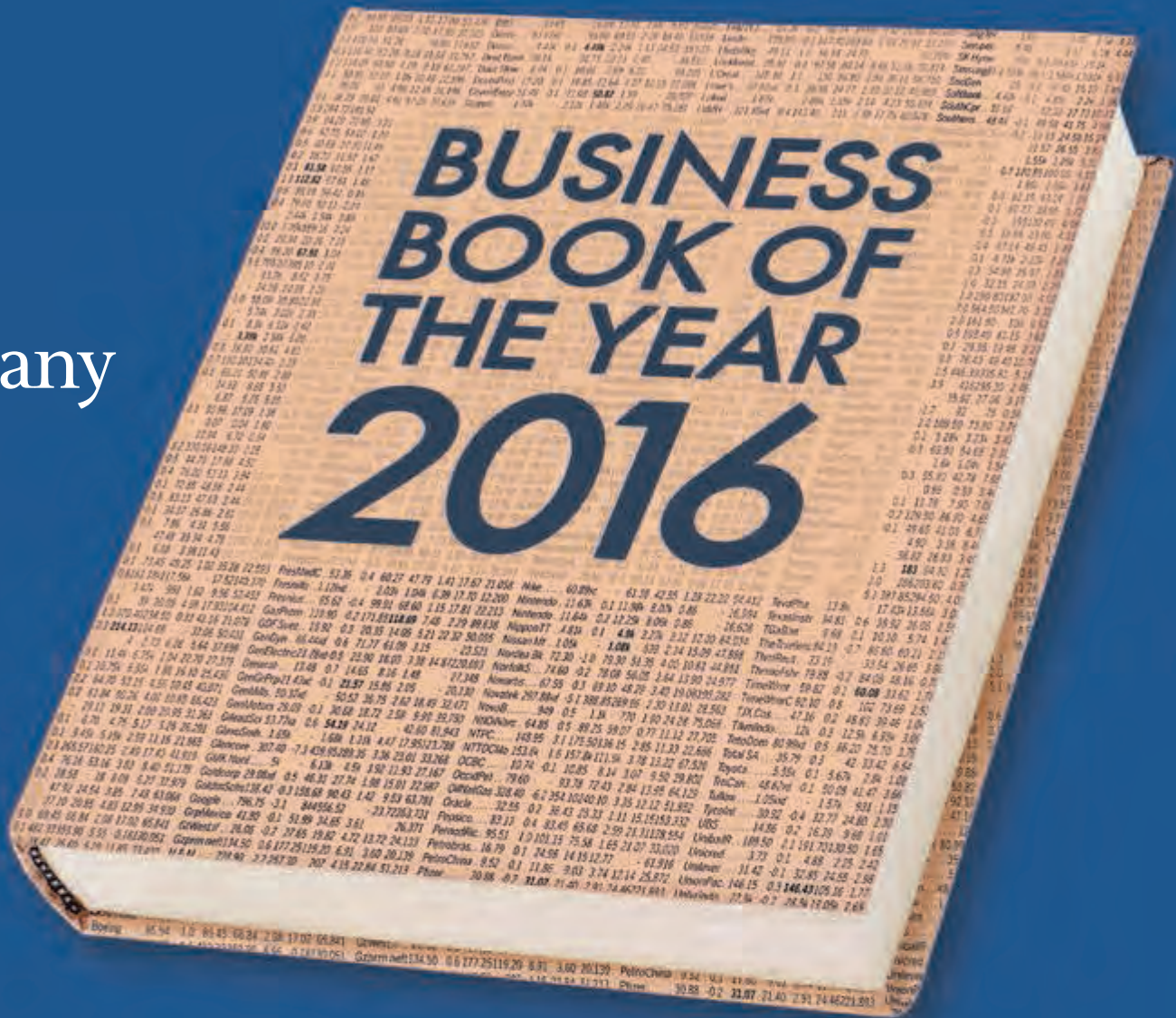
Deportation has become the bedrock of EU migration policy. Brussels has pushed for agreements with countries across Africa and the Middle East to make it easier to send people back. Countries that agree have potential access to investment funds of €62bn, according to an EU proposal in June.

Belgium has an expulsion deal with Morocco, and Theo Francken, secretary of state for asylum and migration, said in a press release on Sunday he was seeking to conclude one with Algeria.

Only 40 per cent of failed asylum seekers are deported from the EU, according to the European Commission.



McKinsey&Company



Essential Summer Reading

Business Book of the Year Award 2016 Longlist

The Financial Times and McKinsey & Company are pleased to announce the longlist for the 2016 Business Book of the Year Award. This prestigious award aims to identify the book providing the most compelling and enjoyable insight into modern business issues.

What Works: Gender Equality by Design
by Iris Bohnet
(The Belknap Press of Harvard University Press)

Alibaba: The House That Jack Ma Built
by Duncan Clark
(Harper 360/HarperCollins; Ecco Press/HarperCollins)

Brazillionaires: The Godfathers of Modern Brazil
by Alex Cuadros
(Profile Books; Spiegel and Grau)

The Profiteers: Bechtel and the Men Who Built the World
by Sally Denton
(Simon & Schuster)

Makers and Takers: The Rise of Finance and the Fall of American Business
by Rana Foroohar
(Crown Publishing/Penguin Random House)

Success and Luck: Good Fortune and the Myth of Meritocracy
by Robert H. Frank
(Princeton University Press)

Chaos Monkeys: Inside the Silicon Valley Money Machine
by Antonio García Martínez
(Ebury Press; HarperCollins)

Age of Discovery: Navigating the Risks and Rewards of Our New Renaissance
by Ian Goldin and Chris Kutarna
(Bloomsbury; St Martin's Press)

The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War
by Robert J. Gordon
(Princeton University Press)

The 100-Year Life: Living and Working in an Age of Longevity
by Lynda Gratton and Andrew Scott
(Bloomsbury)

The Man Who Knew: The Life and Times of Alan Greenspan
by Sebastian Mallaby
(Bloomsbury; Penguin Press)

Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World
by Deirdre N. McCloskey
(University of Chicago Press)

The Curse of Cash
by Kenneth S. Rogoff
(Princeton University Press)

The Fix: How Nations Survive and Thrive in a World in Decline
by Jonathan Tepperman
(Bloomsbury; Tim Duggan Books/Crown Publishing Group)

The Smartest Places on Earth: Why Rustbelts Are the Emerging Hotspots of Global Innovation
by Antoine van Agtmael and Fred Bakker
(PublicAffairs)

This is the longlist as of 08 August, 2016. The organisers reserve the right to add eligible titles to this list. The shortlist will be determined at a judging session in September, and the winner will be announced at the Award Dinner in London on 22 November.

www.ft.com/bookaward #BBYA16

ARTS

New writing, age-old concerns

THEATRE

Edinburgh Fringe round-up
Traverse Theatre, Edinburgh

Griselda Murray Brown

Unlike many Edinburgh Fringe venues, which for most of the year serve as church halls, student unions or pubs, the Traverse is a year-round theatre. It boasts bigger-budget shows, often featuring more established names than at other Fringe venues. In recent years some of those venues have given the Traverse a run for its money. But, for now, “Scotland’s new writing theatre” is still the first stop for many punters seeking quality theatre at the Fringe.

A highlight is Al Smith’s *Diary of a Madman*, adapted from Gogol’s short story. The action is relocated to South Queensferry, a former fishing village in the shadow of the Forth Rail Bridge, now all but subsumed into Edinburgh’s suburbs. Pop Sheeran (Liam Brennan) is a bridge painter, like his father and grandfather before him. When Matthew White, a well-spoken material science grad from Surrey, is posted with the Sheeran family for the summer to test a new paint, he gets short shrift from Pop (“You’re here for the paint job and your name’s Matt White?”). The new arrival opens old sores, and what at first seems a play about nationalism becomes one about masculinity and mental health, tradition and generational rift.

Smith is a sharp writer with an ear for Scots inflection and teenage banter — brought to life by Louise McMenemy as Pop’s teenage daughter and Lois Chimimba as her lippy friend. The most poignant performance is from Deborah Arnott as Pop’s wife, painfully alive to the hurt around her, quietly trying to hold things together. ★★★★★

She might almost be a character in *Milk*, Ross Dunsmore’s new tear-jerker about love and care-giving. Three couples — one elderly, one teenage, one on the brink of parenthood — occupy three distinct worlds in the same city. But the set design tells us they will soon collide: the old couple’s battered armchairs share the stage with the chrome kitchen



Grow your own: Melody Grove as a breastfeeding mother in ‘Milk’

of the middle-class parents-to-be. And in Orla O’Loughlin’s production the actors never leave the stage, silently witnessing each other’s stories.

Milk is a metaphor for nourishment: for Nicole, the struggle to breastfeed; for old May, worry over her husband’s appetite. If he won’t eat she will have to inject him with food: a “pint of milk straight to the heart.” Dunsmore’s play is a humane and funny look at what we want and what we need — which is, sometimes, simply to care for someone. ★★★★★

“Dem never gon pick us,” says one of the women in Adura Onashile’s *Expensive Shit*. She is about to dance for the men of the Kalakuta Republic, home of

musician Fela Kuti, which he declared independent from Nigeria in the 1970s. In the toilets the women practise their routines, hoping they’ll be picked for Kuti’s band. One of them is scared; she’s “on the timetable” to sleep with him that night. “We be free as long as we remember the rules,” another explains.

Cut to the women’s toilets in a Glasgow nightclub, where a Nigerian attendant dispenses paper towels and make-up advice. But what is she hiding? Here, as in Kalakuta, sex rarely equals power for women. This is a well-acted piece but feels sketched out, and an improbable twist reduces its impact. ★★★★★

If *Expensive Shit* asks what women want, Matthew Wilkinson’s tough two-hander, *My Eyes Went Dark*, raises questions about masculinity. Cal MacAninch, as Nikolai, a man who has lost his family in a terrible accident, is broken by grief and fuelled by vengeance; Thusitha Jayasundera, playing everyone from his dead son’s friend to his psychiatrist, is superb. Yet the play feels longer than its 90 minutes, the plot sagging in the final third. ★★★★★

Greater Belfast is billed as a reluctant homecoming. Accompanied by a string quartet, writer-performer Matt Regan shifts in and out of song and in and out of verse as he reflects on home and history. He treads lightly at first, before digging down to an emotional core. The recurring image of the land, the Belfast “sleech”, is playfully undercut when he pours mud on his hands, explaining: “It’s just a conceit about landscape and memory. Sure, you’ve all read Seamus Heaney.” Not all the songs are winners, but Regan has a lovely stage presence, self-deprecating yet assured. ★★★★★

Comedian-activist Mark Thomas returns to the Traverse with *The Red Shed*, marking the 50th anniversary of the Wakefield Labour Club, which he has frequented since his student days. It’s a typically angry, funny show that tells of his attempt to piece together a day during the miners’ strike in 1984. Between the jokes it makes serious points about truth, in an age that ignores facts, and memory, when working class histories have been neglected. Thomas is preaching to the choir here — a luxury most Fringe shows don’t have — and he’s unlikely to convert any non-believers, but he remains an engaging, warm-hearted performer. ★★★★★

To August 28, traverse.co.uk

OPERA

Die Liebe der Danae
Salzburg Festival
★★★★★

Rebecca Schmid

If any stage could prove *Die Liebe der Danae* to be more than a work that is by turns ravishing and unwieldy, it ought to be the Salzburg Festival: Richard Strauss’ penultimate opera premiered here in 1952. The Latvian director and set designer Alvis Hermanis, a regular fixture at the summer festival since his formidable production of Bernd Alois Zimmermann’s *Die Soldaten* four years ago, now takes up the challenge.

The “cheerful mythology” drafted by Hugo von Hofmannsthal and completed by Joseph Gregor tells of the rivalry between Jupiter and Midas for the hand of princess Danae. Hermanis transports the action to a middle eastern fantasy-land where oversized turbans, billowing

clothing and gilded harem dancers create caricature-like tableaux. Yet with the exception of opulent costumes by Juozas Statkevicius, the production’s aesthetic could be more imaginative.

Projections of ornamental panels descend against a sterile, all-white set (video by Ineta Sipunova) for the golden rain with which Jupiter awakens Danae in the first act, falling flat against the

tuning tugging against the bass. “Smokin’ hot!”, he commented, correctly, after a long coda. There were Garcian flurries of bent notes and filigree on “The Roundabout”, and a closing “Primrose Green” with a folk-rock bass figure.

Beth Orton — for many 1990s ravegoers, the bridge between chemical euphoria and mundane reality — used to mix folk and electronica. Her two most recent albums unbundled the mixture into first country-folk and, more recently, heavy electronica. Her set started with the latter: “Moon”, crunchy except for its ethereal chorus; “Dawnstar” with a stately drum pulse; the carnival waltz of “Wave”; bright 1980s keyboard sounds on “1973”. When she took up an acoustic guitar, a slow “She Cries Your Name” felt thin without William Orbit’s keyboard whistles, but “Stolen Car”, the JJ Cale-amble of “Call Me the Breeze” and a joyous “Central Reservation” were all convincing and bright.

Mulatu Astatke and his British band brought the heyday of Addis Ababa back to life. James Arben and Byron Wallen punctuated the set with the characteristic pentatonic brass fanfares of Ethio-jazz



Comedown queen: Beth Orton

while Tom Skinner and Richard Olatunde-Baker kept a rhythm at once easy and propulsive. Astatke himself switched between vibraphone and congas: he started “Yakermew Sew” with an extended shimmering vibes passage so watery it recalled an Amharic Captain Nemo, reverberating into the tiniest skitter of drums from Skinner, and then bowed cello like a seagull. “Yegalle Tizeta” had cascading brass over a two-beat heart pulse of double bass: the music dropped away and then rushed back in like a rave climax. At the end, the hard funk riffing of “Yekaitit” broke down into an extended atonal middle passage, with a fusillade of drums trying and failing to resolve back into the main melody, before the groove finally locked again.

The novelist Paul Kingsnorth, talking earlier about his books *The Wake* and *Beast*, had described them as being about “people getting claimed by places or myths or stories — and maybe they’re the same thing”. The best of the music had made this identification of place and story audible and real.

caughtbytheriver.net



Swinging Addis: Ethio-jazz vetera Mulatu Astatke — Neil Thomson



Regal: Krassimira Stoyanova as Danae

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Transforming the landscape

FT BIG READ. SURVEILLANCE

Dubbed a ‘snooper’s charter’ by critics, the UK is set to pass legislation to allow the security services to hack smartphones, trawl vast data sets and scrutinise browsing histories. Will it make the country more secure?

By Gonzalo Viña

Taking liberties?

How security services can use bulk data to build a profile

Four hypothetical cases based on Stanford University study



Growing up in Tehran, Fred Ghahramani remembers being told by his mother to be careful with what he said on the telephone because “the secret police is always listening”. After several members of his family disappeared, Mr Ghahramani’s father, an academic from an ethnic minority, escaped with his family to Canada when the boy was just nine years old.

But his childhood fears of Ayatollah Khomeini’s security service remain fresh in Mr Ghahramani’s mind. It is why the Vancouver-based tech entrepreneur has pledged \$1m to help campaign groups fight what he sees as a growing encroachment on privacy and civil liberties in his adopted country and in other major democracies.

“You could hear them on the other end of the line — it was quite comical that they might want to listen to a child, but you still had to be careful with what you said. You had to second guess your thoughts,” Mr Ghahramani says. “I am not saying we are there yet, but my great worry is that we are sleepwalking into that same kind of environment.”

Smartphone mining

Canada, Australia, France, New Zealand and others have introduced powers to give security services and police far-reaching surveillance powers. No country, however, is going quite as far as the UK in creating laws that give government agencies the ability and the right to gather information. Adding to traditional forms of targeted surveillance, security services will soon have new powers to mine information about individuals via the explosion in data generated by smartphones and tablets.

The UK’s investigatory powers bill — which is due to complete its final stages of parliamentary scrutiny in the autumn — formalises existing powers for security services to hack smartphones and computers, and trawl vast data sets. It also provides new powers to force internet companies to hand over, without a warrant, details of every website an individual visits and every app they use, and to hold that information for up to 12 months. The companies must also create systems so that the information can be accessed on demand via a single searchable database.

It will give government agencies powers beyond those in the US and most other western democracies. If it becomes law, the UK would be alone with Russia as the only two countries in the world that force companies to keep track of customers’ browsing histories.

Privacy campaigners, tech companies and politicians have raised concerns that if a nation with the democratic checks and balances of the UK is taking such action, others will follow.

The government counters that, as the world becomes increasingly digitised, it needs the powers to keep up with technological changes. Pulling back would tie the authorities’ hands, they say, and

‘We are moving towards a world where we end up predicting crime and prosecuting it before it happens’

35bn

Total zettabytes of data that will be generated worldwide by 2020. A zettabyte is a trillion gigabytes — it would take more than 7.8bn top-of-the-range 128GB iPhones to hold just one zettabyte of data



Big data
Creating a digital profile of the UK population

Millions of personal private records are to be moved to a central, searchable Home Office data system that will greatly increase the ability of UK police, security services and other government agencies to build a digital profile of the population.

Although the system is still at an early stage of design, large Home Office data sets — which could include passport and police records, border data and car number-plate recognition information — would be transferred to a single system that will significantly speed up search times and cut costs.

The department will move the data on to a common platform and use Apache Hadoop, an open source software tool, that can match records from large data sources and make associations from seemingly random pieces of information.

The system, widely used in the private sector, allows companies to

make the job of protecting against terrorism and organised online crime more difficult. Attacks in France, Belgium and Germany in recent months are a vivid reminder of what is at stake.

David Cameron, the former UK prime minister, last year promised 1,900 extra personnel for MI5, the domestic counter-intelligence agency, and MI6, its overseas equivalent, plus £1.5bn a year in new funding by 2020 to address the terror threat and cyber attacks.

The challenge for society, says Kathryn Wynn, a specialist in data protection at Pinsent Masons, a law firm, is getting the balance right between security and privacy.

“The optimal level of surveillance is a great unknown. Threats are changing all the time and the technology is changing with it,” she says. “But it is very easy to go over the line and be overly intrusive.”

Although ministers must approve the surveillance, and the judiciary oversees decisions to use these powers to ensure they are implemented correctly — a so-called “double lock” to prevent abuses — most requests will be subject to gagging orders, prohibiting telecoms and tech companies from revealing that they are handing over information.

Privacy campaigners say the bill lays out in black and white the mass surveillance powers that would be at the disposal of the security services and want it amended so that the surveillance is targeted and based on suspicion rather than the product of sophisticated data crunching. They argue that the powers are so sweeping, and the language in the bill so general, that not just the security services but also government bodies ranging from HM Revenue & Customs to the Food Standards Agency will be

build customer profiles and consumption patterns by pulling together email accounts, social media profiles and other records.

Random data points can combine to tell a great deal about an individual, according to a study by John C Mitchell and Jonathan Mayer of Stanford University that looked at mobile phone records, which are in many ways less revealing than the Home Office data sets.

One example of what they learnt from analysing 250,000 calls and 1.2m texts was that one volunteer had placed several calls to a cardiologist, a local drugstore and a cardiac arrhythmia device monitoring hotline. Another showed that a person owned a semi-automatic rifle, based on calls to a local gun dealer and a support line run by the weapon’s manufacturer.

The study also revealed the large number of people swept up into an investigation by just looking at one lead. The researchers estimated US investigators could look at as many as 25,000 people linked from just one “seed” lead.

15.1%

Increase in complaints to the UK Information Commissioner’s Office over data protection concerns in the year to April 2016

24

The number of current orders served on UK-based telecoms companies, 15 of which require that they hand over bulk data on request

able to analyse the records of millions of people even if they are not under suspicion of criminal activity.

The tech industry is also opposed to parts of the bill particularly around the encryption of data. The government is sticking to its plan to force tech companies to provide so-called back doors, or a code breaker, to allow the decryption of messages in cases of an undefined national emergency.

In 2014 Robert Hannigan, the then newly installed director of GCHQ, accused some US tech companies of becoming “the command and control networks of choice” for terrorists and called on them to develop closer relations with the intelligence community.

But sceptics argue that vast volumes of data are of little use because they take too much time and money to process. Increases in computing power and dedicated mapping technology, however, mean that it is proving useful in ways that were unimaginable even a few years ago.

“Too much access to too many people is being given far too easily,” says Rik Ferguson, vice-president of security research at Trend Micro, a software security firm. “We will be in a world where an algorithm is reaching a conclusion rather than a human being; we are moving towards a world where we end up predicting crime and prosecuting it before it happens.”

‘Instrument of repression’

The extent of the monitoring of big data by the security services was revealed three years ago by Edward Snowden, the American computer specialist and former CIA employee. He provided details of covert US mass surveillance programmes, principally by the National Security Agency. It emerged shortly afterwards that Britain and many other western countries had similar programmes in place.

Last month, Privacy International, a pressure group, launched a legal case against Britain’s security services, accusing them of pushing an “aggressive and expansive” use of their powers to access huge data sets, tracking everything from travel information to phone records to generate leads in investigations. The case, which is due for a court ruling in the autumn, outlined how GCHQ, the government intelligence agency, and MI5 had been using powers under section 94 of the Telecommunications Act 1984 to require communications companies “to do or not to do a particular thing” in the interests of

national security. The court heard that there are currently 24 orders served on telecoms companies, 15 of which require that they hand over bulk data on request. In one example O2 was compelled to provide information to security services in secret and not even inform its own board of directors.

Thomas de la Mare QC, acting for the pressure group, said there was a danger that this “de facto constant surveillance” could become “the most potent instrument of repression”.

He argued during the hearing, that such non-targeted forms of surveillance have turned investigations on their head. Whereas in the past, individual inquiries based on suspicion would throw up leads, it is now the algorithmic processing of data that can provide those leads and that, campaigners argue, amounts to mass surveillance.

Tackling terrorism

The government says that the powers as laid out in the bill are essential to providing security. Its legal team argued in the Privacy International case that the use of bulk personal data “was an essential tool” and that without its use the intelligence services would be “significantly less effective in protecting the UK” against terrorism, cyber threats and espionage.

Police say that the need for intelligence is greater than ever before but that the technical environment in which criminals and terrorists operate has changed dramatically.

“We still need to know who criminals are contacting, how they are doing it, where they are when they do it, what devices they use when they do it and whether they are accessing criminal sites,” Neil Basu, assistant commissioner at London’s Metropolitan Police, said in June.

He also disclosed that the authorities want the powers not just to combat organised crime or terrorism, but for more routine policing.

“If we have low-level fraud and grooming that we could have prevented, how do I explain that to the public and just say I had my hands tied, I didn’t have the powers to do that?” Mr Basu asked.

£1.5bn

The annual amount David Cameron promised in new funding to combat terror and cyber attacks in the UK by 2020. Above, GCHQ, the British listening station



Speed read

Strange bedfellows If it becomes law, the UK would join Russia as the only other state tracking online histories

Fighting terror Government lawyers describe the use of bulk data as ‘an essential tool’ in fight against terrorism

Public opinion In a survey, more people were worried about criminals, rather than the state, gaining access to data

On the surface the public seems unconcerned. A survey for the Information Commissioner’s Office, an independent watchdog, in April found that less than a quarter of the public expressed concern about the security services having access to their private data and were three times more likely to worry about criminals getting their hands on it.

Campaigners and lawyers believe the low level of concern has more to do with a lack of awareness and limited public scrutiny, arguing that the bill has been rushed through parliament and not received enough attention. The opposition Labour party barely put up a fight and voted for it in early June amid, what some said, were fears of appearing weak on terrorism.

Kate Macmillan, a privacy lawyer at Collyer Bristow, says some important concessions have been achieved since the bill landed in parliament, notably that trade union activities cannot be subjected to investigatory powers “but one has to question whether enough has been done to protect the public”.

She doubts others in Europe will follow in Britain’s steps, particularly Germany, which has been championing the privacy rights of individuals through a new EU data protection law known as GDPR. The Advocate General of the Court of Justice of the EU has published an opinion saying that any laws on data retention should respect personal privacy and can be justified only when necessary in the fight against serious crime.

“There is a strong body of opinion [in the legal community] which considers that this development may derail the UK IP bill,” Ms Macmillan adds.

Mr Ghahramani, the Iranian émigré, remains sceptical about the security claims made not just by the British government but also by other states.

“Canada and France have been collecting data in bulk for over four years, and yet terror attacks still happen. In the case of the Paris attacks, the terrorists communicated through unencrypted SMS. In the US, the NSA’s bulk data collection programs have been in place even longer,” he says. “The truth is, it’s never actually been proven that bulk data collection can stop terrorism.”



FINANCIAL TIMES

‘Without fear and without favour’

TUESDAY 9 AUGUST 2016

Thai generals must seize last chance at redemption

In the wake of a divisive referendum, the army should loosen its grip

The Thai referendum that has just won public backing for a new constitution was, to put it mildly, very far from a model of its kind. The resulting charter enshrines in law the influence long exercised by the generals who took power in Bangkok in May 2014 in the 12th successful coup since 1932. Although the junta tolerated mild criticism of the proposals in the run-up to the poll, it detained dozens of activists who looked intent on more serious opposition. The provisional result of Sunday’s ballot — 61 per cent in favour on a 55 per cent turnout — is no vote of confidence, either in the army or the two main political parties whose leaders urged rejection of the plans.

The vote opens the way to elections next year and consolidates military control. It moves Thailand towards what is sometimes euphemistically called “guided democracy”, a model that allowed military commanders in regional countries such as Indonesia and Myanmar to loom large even under nominally civilian rule through privileges such as parliamentary seats or key ministries. Yet it has done so at a time when Myanmar’s system is in retreat and after Indonesia’s has been largely swept away.

Thailand’s new constitution — incredibly, its 20th in 84 years — is a variation on the guided democracy theme. Commanders hope it will obviate the need for coups that unnerved investors and draw unwelcome criticism from abroad. The generals have won permission to control indirectly appointments to the upper house of parliament and — in certain circumstances — have a say in choosing an unelected prime minister. Commanders will also be represented on a special body to oversee the first five years of the elected government.

What is still dangerously missing from the junta’s plans is any acknowl-

edgment of the political divisions that have racked Thailand during a decade of sporadically violent crises. As the country prepares nervously for the succession to the 70-year reign of the ailing King Bhumibol Adulyadej, supporters of the military stress the need for stability. Yet far from bringing the reconciliation they pledged, the generals have stifled dissent and doubled down on an authoritarian ultraroyalist creed that favours the interests of the metropolitan bureaucratic and business elite. That contrasts with voters’ backing in every election in the past 15 years for parties aligned with Thaksin Shinawatra, a deeply flawed plutocrat turned premier who won mass support by pumping money and public services into Thailand’s neglected rural heartlands.

The generals have also done little to address the structural problems of a once-dynamic economy that is now a regional laggard. Thailand needs to recast itself now that its export-led manufacturing boom is over. It has neither the technological sophistication to compete with Korea and Japan, nor the low labour costs of Vietnam and Cambodia. Its spinning carousel of elected, appointed and military governments has stymied the investment needed to improve infrastructure and make real the dream of the country as a bridge between China and Southeast Asia.

Gen Prayuth Chan-ocha, the coup leader turned prime minister, took power promising to bring happiness to the people. More than two years of desultory military rule have hardly done that. His junta now needs to exercise its new powers sparingly and offer a quick and clear path back to civilian rule. The referendum win has offered the generals a last chance of redemption. They should loosen their grip and help the country that sells itself as the Land of Smiles to live up to its name.

Sir, Robert Skidelsky’s proposal for an infrastructure programme financed by borrowing from the Bank of England is ingenious but unconvincing (“A tweak to helicopter money will help the economy take off”, August 5). True, QE, even by the relatively small amount unveiled by the Bank of England — a total £60bn of government and corporate bonds — risks exacerbating inequalities as it pushes asset prices up with a clear advantage for asset-holders who are among the better-off in our society. It is also true that lower interest rates may induce many individuals and families to take up more debt and so make worse the already critical financial position of many of them.

However, it is not clear why borrowing money from the central bank to both prop up consumer demand and finance a public

investment programme should be better than “classic” fiscal policy. For example, a cut in the value added tax rate for a fixed period of 12 months should have, in principle, the same impact on consumer demand as “helicopter money” put in people’s hands, and so help reduce the risk of a recession.

As for mitigating the knock to the economy’s growth potential, Lord Skidelsky is correct to implicitly suggest to blur the dividing line between monetary policy and fiscal policy. This, however, would be better done by co-ordinating policies and actively using fiscal policy rather than experimenting with money creation. Japan’s new fiscal package provides an example of how to use expansionary fiscal policy and address the need for structural reforms: it can support growth and be fiscally responsible at

the same time, as Adam Posen points out (“Abe’s stimulus is a lesson for the world”, August 3). Infrastructure investment in itself doesn’t underpin growth in productivity, nor does it drive structural reforms.

Given the uncertainty that the UK economy is facing, this is not the right time for “creative” policymaking, the impact of which remains unclear. Furthermore, unconventional macroeconomic policies should not become the fallback option and monetary policy should stop being the default option. Fiscal policy needs to be brought back into the tool box and be finally unbound from the constraints of badly thought out austerity measures. **Dr Paola Subacchi**
Director, International Economics, Chatham House — The Royal Institute of International Affairs, London SW1, UK

It took a second war in Europe for the economic lessons to be learnt

Sir, I regret to differ with John Plender’s reading of history (“The myth of the European peace project”, August 5). John Maynard Keynes, in *The Economic Consequences of the Peace*, advocated an economic settlement after the first world war to allow both the victors and the defeated in Europe to rebuild and develop their economies. This did not happen and we had the second world war. Lessons were learnt, including by the Americans, and a better postwar economic system was put in place in Europe. It worked.

Keynes’ comment that free trade combined with international capital mobility was a recipe for “strains and enmities” underlay the creation of the Bretton Woods international monetary system, which also promoted growth and stability in the postwar period until it was unwisely dismantled in the 1970s. The European single currency attempted to recreate a regional zone of stability in what is still an unstable global system.

I agree with Mr Plender that we should fear a retreat into damaging protectionism. And we should be very careful about dismantling elements of the postwar order unless we know exactly what we are doing. There is little sign of that, although of course Baldrick may yet have a plan.

David Harrison
Sevenoaks, Kent, UK

May I remind the BoE that Brexit hasn’t happened yet

Sir, The Bank of England has taken action “to cushion a looming Brexit-induced downturn” (August 5). This “downturn” is entirely speculative. “Brexit” hasn’t happened yet. Nothing substantive has changed yet, nor will change in the near future. The UK is still in the EU, and remains in the EU until the end of the Article 50 process, which hasn’t even been invoked. The result of the June 23 referendum was simply a vote to leave the EU — that was what was on the ballot paper. The date of leaving is well over two years ahead, and the conditions of the UK’s future relationship with the EU (and the rest of the world) are still completely undefined, let alone

implemented. So why the eagerness to predict a near-term downturn?

Of course there’s uncertainty. Uncertainty is a normal part of business life. There’s as much uncertainty, or more, over oil and commodity prices, or general elections, or certain countries’ territorial adventures. None of these seems to cause panic about downturns long before they’ve happened.

John Stanning
Winchester, Hants, UK

How Trump is damaging his own business brand

Sir, John Gapper’s article “Your brand is more fragile than you think” (August 4) was good timing, amid press reports that Trump hotels and golf courses are seeing a decline in bookings and attendance. This should not be surprising. Donald Trump’s businesses aim at catering to the rich, classy and glamorous (though, admittedly, perhaps more the *nouveau riche* than the old money). Mr Trump’s politics speak to those feeling left behind economically, angry and unglamorous. But the former do not want to be associated with the latter. The Trump political brand is thus debasing the Trump business brand.

This should worry him a lot, perhaps more than his sinking polls, since, as Mr Gapper notes, personal brands are very difficult to rebuild. A very damaged business brand is what Mr Trump risks being left with after he loses the election.

Henri Lorie
Chapel Hill, NC, US

Expect more progress on gender balance of boards

Sir, The Financial Times continues to be a great supporter of the campaign to increase female representation at the highest levels of the UK’s businesses — as is this government. As Sarah Gordon writes (“Only the government can ensure women get on to boards”, August 5), there have been significant improvements in board diversity since 2010, when the initiative was launched to increase the number of women on FTSE 100 boards. And we would like to thank Lord Davies for the influential work he carried out, which saw female representation more than double from 12.5 per cent to 26 per cent. But there is



‘Earning far too much never seems anywhere near enough’

more work to do, and we firmly believe the work now being carried out by Sir Philip Hampton and Dame Helen Alexander will result in even further progress on the gender balance of boards.

The scope of their review is even more ambitious: it aims to transform female representation at the top of business, with a target of having women make up 33 per cent of boards by 2020 across FTSE 350 companies. It will not only address lack of representation on boards but also tackle the issue of female representation in the “executive layer”. We are clear that Sir Philip and Dame Helen have the experience, commitment and authority to ensure the business-led approach can deliver across this agenda. And the whole of government is behind them, providing them with the resources they need to succeed. As prime minister Theresa May has already stated, we are adamant in making sure our economy works for all: no matter who they are or what their background, everyone should have the chance to progress in their careers.

Government alone cannot force a change in corporate culture; this must be business-led. Now, more than ever, business needs to increase the number of women in senior leadership roles if they are to harness talent for the benefit of business and our economy.

Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy
Caroline Dinenage MP
Minister for Women and Equalities

TTP would scupper any targeting of stimulus

Sir, Robert Skidelsky makes a good argument for the need for Keynesian stimulus in “A tweak to helicopter money will help the economy take off” (August 5). Unfortunately, his prescription that the spending be targeted to local companies would not be possible for countries that enter trade agreements that forbid such practices. So the US, Japan and Canada may soon lose that option if they implement the Trans-Pacific Partnership. **Jonathan Reiss**
Principal, Analytical Synthesis, New York, NY, US

A loan and a gift are very different things

Sir, Robert Skidelsky (August 5), suggests that a loan from the Bank of England to the government is not intended to be repaid. But there is a great deal of difference between a gift and a loan, as any accountant will confirm. Will we be able to find central bankers who would be prepared to sign a loan agreement and then privately agree it is a gift? And what would it say about the integrity of such bankers — or of the UK’s financial statements?

Denys Firth
London W8, UK

Enfranchisement is not merely the right to vote

Sir, David P Leader (Letters, August 5) waspishly says that supporters of Brexit may be disillusioned, dissatisfied, disappointed or dispossessed, but are not disenfranchised. He is wrong: a quarter of Brexit voters are supporters of the UK Independence party, and they are disenfranchised.

Enfranchisement is not merely the right to mark a ballot paper. It means to possess rights and liberties, to be a citizen who is counted and considered and, in the UK, to be represented in parliament. These meanings are recognised in good dictionaries, and uses of the term date predate popular elections.

I don’t like Ukip. I find its policies poorly thought out and prejudiced, and its rhetoric is offensive and repugnant to me. But the fact that almost 4m votes for the party result in only one MP scandalises our political system and threatens to destabilise our society. Many of Ukip’s supporters live in economic and life circumstances that have been deliberately created and exacerbated by economic policies over the past 40 years. In normal circumstances nothing they can do in a polling booth has a chance of changing that: are they not disenfranchised?

On one day in June this community saw a possibility of change, and turned out to vote in numbers that surprised the pundits. I consider the outcome bizarre, and unfortunate, and expect that my children and grandchildren will be paying the price.

Hervey Gibson
Glasgow, UK

Correction

● Captain Humayun Khan was killed fighting for the US in Iraq, not Afghanistan as wrongly stated in an editorial comment on August 6.

Britain’s living wage is a job for the technocrats

Sticking to predetermined pay rises could be extremely costly

A policy aiming to raise Britain’s national living wage to one of the highest rates in the developed world was always something of a gamble. In the aftermath of the vote for Brexit, meeting the government’s target — to lift the floor on pay to 60 per cent of median earnings by 2020 — looks like even more of a stretch. Some employers, seizing the opportunity afforded by Theresa May’s shake-up of economic and industrial policy, are seeking to persuade the incoming cabinet to drop the target entirely.

There are certainly grounds for caution. The success of the UK’s minimum wage, in place since 1999, rests on the low-key, consensual approach of the Low Pay Commission — a technocratic body that has worked to raise wages as far as possible without detriment to employment. George Osborne over-rode this process, taking a political decision to set both the initial rate and the target rate. The former chancellor hoped that the pay rise — which applies to all workers over the age of 25 — would replace some benefits and boost productivity, as well as winning popularity. He was willing to tolerate some job losses, estimated by the Office for Budget Responsibility at anywhere between 20,000 and 120,000.

Now, however, the UK economy may only narrowly avoid recession as the Brexit shock hits hiring and investment. The Bank of England warned last week that more than a quarter of a million people could lose their job in the next two years, even after its latest dose of monetary stimulus. Trade unions are urging the government to hold its nerve, arguing that the living wage will boost demand by putting money into the pockets of those most likely to spend it. But if pay is set too high, that boost would be offset by the loss of income for those unable to find employment. Sticking to a predeter-

mined path for the national living wage in the teeth of this downturn could be extremely costly.

Nonetheless, scrapping the policy would be politically difficult, given Mrs May’s pledges to tackle the disparity between high and low earners and create an “economy that works for all”.

It is also practically unnecessary at this point. The living wage’s introduction in April pushed up hourly pay from £6.70 to £7.20 for some 4.5m workers, the sharpest increase in more than a decade, but so far employers seem to be coping. A survey by the Resolution Foundation found that most had absorbed the extra costs through higher prices or slimmer margins. Only a small proportion had cut jobs or scrapped other employee benefits.

This does not mean that it will be possible to keep pushing up wages at the same pace without ill effect. But the policy has been framed in a way that allows for a more flexible interpretation, and still affords the Low Pay Commission an important role in guiding progress towards the target.

The target itself is subject to “sustained economic growth”, clearly leaving scope to put the policy on hold if the economy becomes too fragile. Because the living wage is defined in relation to median wages, the target rate of pay will also vary: it was initially expected to be just over £9 by 2020, but it will be lower if the Brexit shock squeezes earnings as is now expected.

The commission’s remit is to evaluate the impact of the living wage and advise on the pace at which the government should reach the target — taking into account the state of the economy and unemployment. This gives it considerable influence. Setting a political target for pay may prove to have been a mistake, but the technocrats can still apply discretion and good sense. Mrs May should allow them to do so.

Rural India slowly emerges from isolation

New Delhi Notebook

by Amy Kazmin



Twenty-five years ago, New Delhi was forced by a severe currency crisis to relax its suffocating controls over the economy and move towards a market-oriented system. On the anniversary of this milestone, Indians have been reminiscing about how the country has changed since liberalisation began.

It is a sensitive topic. Both foreign and domestic businesspeople are routinely frustrated by the glacial pace of reform. Last week’s hoopla over parliamentary approval for a bill modernising the inefficient tax system reflects this: the overhaul was first proposed a decade ago but it will be months at best before it kicks in.

Yet India has indeed changed profoundly since 1991. I know because I first came to live here three years later, in the waning days of the era of socialist-style scarcity.

It took several months, and a hefty under-the-table payment, to convince the state phone company to install a line in my New Delhi flat. (The line went dead after it rained.) Internet access meant waking up at the crack of dawn or staying up late to get through on one of the few dial-in lines for public internet access, which were busy throughout the day.

Procuring tickets on the state-owned airline, which had a monopoly on domestic flights, was also a feat. The aircraft gave me palpitations; even the carpets (orange and magenta shagpile) appeared unchanged since the 1970s, raising questions about the age of the rest of the machines.

Flying back to Delhi after foreign holidays, I would see fellow passengers weighed down with colour televisions, whisky and western toiletries — prized commodities in India. Today these memories evoke a bygone era. Visitors can obtain a mobile phone connection within 24 hours; flights on a variety of private carriers can be booked online and markets overflow with foreign consumer goods, many of them now made in India. But the most tectonic shifts have taken place not in the crowded cities but in the vast countryside.

Back in the 1990s many villages — without phones and accessible only on foot or in four-wheel drive vehicles — seemed cut off from the wider world. In Rajasthan, men complained of carrying women in labour on charpays, traditional woven cots, to health centres miles away. Outsiders were such novelties that entire villages would turn out to follow me, making me feel like some sort of pied piper.

Today mobile phones, satellite television and nearly 500,000km of new rural roads have shrunk the distance between town and country, radically transforming the old ways of life. I observed these changes first hand on a recent visit to the Kangra valley in the mountainous Himachal Pradesh state.

I first visited this valley in April 1995. It seemed frozen in time, with peasant families living in traditional homes made of stone and wood, and travelling in bullock carts. Young

women my age, weather-beaten and clad in simple clothes, were tending cattle or drying newly harvested crops.

When I returned last month the valley seemed another place entirely. Its old houses have been replaced with modern concrete homes. Motorbikes and cars clog the narrow roads. The shy girls seem to have been replaced with confident, educated young women, whose glittery outfits reflected their aspirations.

On a local train, a young woman used her smartphone to help me work out which stop I would need for my visit to a historic fort. Riding a battered bus to the village where I was staying, I met another young woman, elegantly dressed, who explained she was an IT professional working in a small town for a mobile phone company, and commuting each day from her family’s village home.

These brief encounters demonstrate that rural India is in many ways a radically different place now, especially when it comes to the aspirations of the young. Far more government action and private investment is, however, still needed to create better jobs and opportunities. Currently, more than 40 per cent of rural Indians are self-employed, with many struggling to get by in activities that yield little benefit to them or to the overall economy.

The question remains, as ever: can India change fast enough?

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Comment

May is the puritan we need to fight Britain’s cliques



There is a place for class prejudice if it is done properly. Resent privileged Conservatives, for instance, but resent them for the right reason. They are not hostile to poor people. Their sin is more often casualness, a vision of politics as a parlour game to be played with old college friends. If it goes wrong, well, you win some, you lose some. There is no malice here, just the frivolity of people unmarked by life.

David Cameron spent his last parliamentary session as prime minister holding up cat photos and chuckling like a man who had just lost a rugby-club drinking contest, not a referendum on Europe. He then decorated with official honours various losers from the Remain campaign and so many of his own advisers

as to make you wonder what, short of inadvertently sitting on the nuclear button, a staffer had to do to not make the cut.

The excuse is that Sir John Major and other prime ministers also looked after their own as they left office. Leaving aside this feeble what-aboutery, they did not hold a referendum on a giant subject and flunk it. If Mr Cameron has trouble understanding the uniqueness of his failure, historians can talk him through it. He need not abase himself in contrition, but voters, especially those likely to lose their jobs in the slowing economy now envisaged by the Bank of England, are entitled to expect some of the decorum that his background is supposed to instil.

The laurelling of his well-paid retinue as though they were the first wave of landing infantry at Juno Beach was only one of three tawdry and recent spectacles. The Labour party nominated Shami Chakrabarti to the House of Lords after the civil-libertarian conducted an “independent” report into anti-Semitism in the party. And the inquiry into child sexual abuse, having

already lost two chairs over perceived establishment links, shed a third, Dame Lowell Goddard, soon after it was reported that she had spent 74 days abroad or on holiday in her first year in a job that pays £360,000 plus perks.

In their precise exposure of what is wrong with British public life, these events almost qualify as a civic service. Britain is not corrupt, as such. Laws on

The elite is only half-porous: it is possible to get in but not to fall out. There are plenty of second acts

bribery and embezzlement are not routinely broken. The country does well in transparency rankings.

But what it lacks in venality, it makes up for in cosiness. Insiders look after each other and mediocrities fail upward, or at least sideways. The elite is only half-porous: it is possible to get in but not to fall out. There are plenty of second acts in these British lives. There

is always a commission to chair, a university to head, a seat to take in a second chamber that now has almost 800 members keeping London’s livery tailors in profit. This is public service as a parallel welfare state for good eggs.

Unlike a system of hard corruption, there is no cynicism among the players. They do not think they are getting away with anything. This makes the problem all the more insidious and hard to define let alone fix, until you remember who the prime minister is.

Britain’s institutionalised cliquiness must jar with Theresa May. She shuns the politico-media circuit of mediocres catered parties and shared holidays. Her advisers lack the ludic streak of the Cameron team, and the ingrained sense of fraternity with other wings of the establishment. Gordon Brown talked a good puritan game as prime minister, but few politicians have cultivated editors and industrialists as assiduously to get and keep the job. Mrs May is the more authentic Roundhead.

She also has an electoral incentive to reform a polity that voters see as a plot against them. Temperament and cir-

cumstance equip her to change things.

She can start with the honours. Political advisers have prestige, influence and a multiple of the average national salary. This package does not need padding out with official decorations to make their mothers proud and prime them for the job market. The same is true of civil servants. The reward for their work is near-perfect job security and taxpayer-funded retirement.

If anything does more to make Britain look like a baroque toy town than honours named after a non-existent empire, it is the Lords. Everything from its democratic deficit to its costumed ostentation erects a wall against the public. Defenders talk of its expertise as though expertise were fungible (why should a scientist vote on a welfare bill?) and these awesome minds were not fighting for bench space with partisan hacks and donors. Making the chamber smaller and more legitimate is, thanks to its survival instinct, excruciating work. But fighting corruption, even Britain’s soft and fragrant variety, always is.

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Forget the blame games – Brexit is a chance to fix Europe



All eyes are on Britain and the uncharted political landscape it must navigate to exit Europe. But the EU, as the other party in the negotiation, should face scrutiny, too. Supporters of the union seem actually to hope Britain will suffer as a result of its democratic decision. Certainly they appear to take delight in any news confirming their pessimistic predictions.

Many are still calling for a firm hand to be used against the UK – which is naive since Britain represents a significant proportion of EU gross domestic product (about 16 per cent in 2014, says Eurostat) and it will continue to be a leading trading partner and staunch political ally in a challenging world. Their argument seems to centre on the logic that Britain must not be allowed to escape too easily for fear of encouraging others to follow. Why so little faith in the appeal of their own union? I suspect that they fear it is actually the dysfunctional euro, rather than Brexit, that poses the biggest risk to the EU.

When the euro was introduced, it was hailed as a highly liquid currency union, rivalled only by the dollar market, which would attract investments from all over the world and deliver economic growth. The hope was that it would come to represent an irresistible gravitational force, tempting even its strongest critics into its orbit. None of this has come to pass.

For a start, neighbouring countries are not exactly queuing up to join, thanks to persistently low rates of economic growth across the eurozone as a

Europeans should not waste time on hurt feelings but use the vote to start afresh with a blank canvas

whole. Furthermore, it is mainly the European Central Bank, with its ever growing balance sheet and negative interest rates, that keeps the eurozone liquid – much to the dismay of financial institutions. There is no real confidence in the future of the euro. The Brexit vote merely reflects existing difficulties about which the EU is in denial.

Unlike the EU, the currency union cannot be left by any member without widespread economic and political fallout. Yet for the euro to survive, a solid banking union and some sort of system of pan-eurozone guarantees will be required at a minimum. Germany can and will agree to this only if members of the single currency relinquish aspects of their fiscal autonomy. To put it bluntly, the eurozone has to integrate further – whether or not member states like it – if the collapse of the euro, and with it that of the EU, is to be avoided.

This is where the Brexit vote provides a unique opportunity to fix what can no longer be ignored. The EU as a whole cannot function within the constraints of a rigid one-size-fits-all corset: it needs to create a diverse range of models for national participation. The single market can provide the critical link between these models, allowing Europe to thrive and the eurozone to exist as one of the models but not the only one. It is economically silly and politically wrong to use the single market as a form of strong-arming. Reducing the choice to either staying in, adopting the semi-detached Norwegian model (full taxation without representation) or an “out means out” edict cannot be the answer if Europe is really all about joint peace and prosperity.

In light of this, the Brexit vote offers an opportunity to start afresh with a blank canvas. Europeans should not waste time on hurt feelings and blame games. The focus should be twofold. First, the single currency zone would have to offer attractive rates of growth so that nations are willing to sacrifice some sovereignty in order to join. Second, for nations that choose to be outside the single currency, the principle should be that they adopt as many EU standards as necessary while retaining the maximum national sovereignty, using the mechanism of the single market as the hub that holds together the new models of Europe.

If we achieve this, the people of the UK might have made the right choice in June, albeit for the wrong reason.

The writer was, until April, chief executive at BHF Kleinwort Benson Group

The global democratic recession



Sometimes one or two events can change the political mood all over the world. The release of Nelson Mandela from prison in February 1990 came just three months after the fall of the Berlin Wall. Those two events inspired democrats and liberals across the globe.

Sadly, the current international mood is much less optimistic and much less friendly to democracy. It has been shaped above all by the collapse of the Arab spring of 2011 into bloodshed and anarchy. Autocrats all over the world, above all in Russia and China, now point to the Middle East as an example of the dangers of premature democratisation.

The politicians who captured the spirit of the early 1990s were inspirational democrats such as Mandela, Václav Havel in Czechoslovakia – and liberal reformers such as Mikhail Gorbachev and Boris Yeltsin in Russia. Today, the leaders that seem to embody the spirit of the age are autocrats with scant respect for democratic values – men like Vladimir Putin and Recep Tayyip Erdogan, the presidents of Russia and Turkey; as well as Donald Trump, a trash-talking demagogue who has somehow become the Republican

nominee for president of the US.

The figures confirm the general impression that this is a bad period for democrats. Freedom House, a think-tank that issues an annual report on the state of democracy, argues that political freedom has been in global retreat for the past decade. It reported earlier this year that in 2015, “the number of countries showing a decline in freedom for the year – 72 – was the largest since the 10-year slide began”.

The least free part of the world is the Middle East, which is a bitter disappointment given the hopes aroused by the uprisings against autocratic regimes that broke out across the Arab world five years ago. Egypt is suffering from a harsher autocracy than the Mubarak regime that was overthrown in 2011.

Even in Europe, some of the freedoms won in 1989 are imperilled. In both Poland and Hungary there has been an erosion of press freedom and judicial independence. In Turkey, on the borders of the EU, hard-won freedoms are also being lost as journalists and judges are arrested in the wake of an attempted coup.

In part of Asia, things have also gone backwards. Thailand experienced a military coup in 2014 and this weekend voted in favour of a new constitution that could cement the military’s control over politics. In Malaysia, liberals are in despair at the machinations of the scandal-plagued government and Anwar Ibrahim, a prominent opposition leader, is once again in prison.

In the two most important autocratic



powers – Russia and China – the governments are cracking down harder on liberals who dare to challenge the prevailing regimes.

Last week China issued long prison sentences for human rights lawyers in Tianjin and forced others into humiliating apologies. At about the same time, in Russia, Yevgeny Urlashov, a prominent opposition politician, was sentenced to 12 years in a penal colony on corruption charges that appear to have been trumped up.

The problems of democracy have extended even into the US, the “leader of the free world”. Even if Mr Trump fails to win the presidency, he has already done immense harm to the prestige and dignity of US democracy.

But amid all this bleak news it is

Egypt is now suffering from a harsher autocracy than the Mubarak regime that was overthrown in 2011

important to remember that not all the trends are pointing in the wrong direction. In Myanmar, Aung San Suu Kyi – who was under house arrest when Mandela was released in 1990, has been freed – and the country’s first civilian-led government for more than half a century took power earlier this year. Democracy seems well established in Indonesia, the world’s fourth most populous country. Last year saw its first presidential election in which an incumbent lost – and then ceded power peacefully.

Most important of all, the evidence remains that, for all the cultural and economic differences between countries, ordinary people all over the world eventually get fed up of corruption, censorship, injustice and political violence.

Just this weekend, people were out on the streets of Ethiopia, demonstrating against a government that has delivered rapid economic growth but also sharply restricted political freedoms. In recent years, pro-democracy demonstrators have taken to the streets of Hong Kong

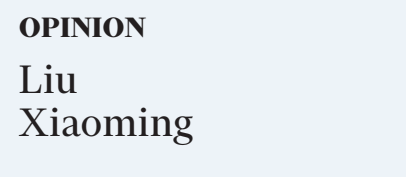
and Ukraine to demand political and civil liberties.

The uncertain nature of the moment we are living through is captured by current events in South Africa, which played such an inspiring role in the 1990s. Last week the ANC, the party of Mandela, saw its support slump in local elections as voters reacted against the corruption and inefficiency of the government of President Jacob Zuma. The pessimistic view is that Mr Zuma and his cronies will do whatever it takes to hang on – and that their machinations will further damage South African democracy. The optimistic view is that the ANC’s electoral troubles are an example of democracy’s ability to renew politics as voters turn to new parties like the Democratic Alliance.

The very nervousness of leaders like presidents Zuma, Putin and Erdogan is telling. Behind their swagger lurks a deep insecurity. Autocracy might be making advances across the world. But it always ultimately sparks resistance.

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Hinkley Point is a test of mutual trust between China and Britain



Hinkley Point is once again a subject of speculation and debate following the announcement by the UK government that it wants to hold a fresh review into the proposed project for a new nuclear power station in south-west England. With this in mind, clarification is needed on three basic facts regarding the project.

First, nuclear power is central to UK energy policy aimed at meeting the country’s long-term needs. Britain has long been a pioneer in the field of civil nuclear energy, and once took pride in its clean and effective power plants. However, a two-decade pause in its nuclear programme means that most of the country’s 15 reactors are approaching the end of their intended working life. According to the UK’s energy white

paper, by 2025 only one nuclear plant will still be running, raising the risk of major power shortages. Nuclear power, with its advantages over other modern clean energy sources – namely, low operational costs, mature maintenance technologies and steady output – is a significant option for meeting the UK’s demand for electricity.

Second, Hinkley Point is not the result of some whimsical idea or rushed decision. It is the considered outcome of a mutually beneficial tripartite partnership between Britain, France and China. Before the three parties reached agreement it had gone through research, verification and approval by the authorities in Britain and France as well as the European Commission. There have also been extensive and thorough discussions by all involved and in the media regarding the project’s cost-effectiveness, its timeline and the safety of the technology. After more than 10 years of preparations, this project is ready to move ahead towards generating safe, reliable and sustainable electricity.

Third, the UK could not have a better partner than China Guangdong Nuclear

Power. The latter is the biggest nuclear power provider in China. It is also the world’s biggest builder of nuclear reactors, involved in the construction of one-fifth of the nuclear generators worldwide. This is a partner with world-class technology, the necessary financial resources and rich experience in the management and operation of nuclear plants.

Bilateral relations are at a crucial juncture. Respect and trust should be treasured even more

A further issue central to the debate is that of security. The UK has a state of the art supervision regime and legal system. Its regulatory authorities are experienced and adequately resourced to ensure the safety of nuclear plants. China likewise has a fine record of 30 years of safe operation of nuclear facilities. Its nuclear energy programme and supervision are highly acknowledged by

international agencies. The three Hinkley Point partners are members of the International Atomic Energy Agency. So, the French and Chinese partners are subjecting themselves to both international and British standards.

Building a nuclear plant involves a huge amount of financial resources and enormous risks. That explains why multinational co-operation is accepted practice across the globe. Many of China’s nuclear reactors are built in co-operation with US, Canadian, French and Russian companies. Thanks to the safeguards of international standards, there has never been a concern that foreign companies might control China’s nuclear reactors. The rapid progress of China’s nuclear power industry is proof of the success of international co-operation.

Britain takes pride in being a country that is open to foreign investors. Rightly so. It is exactly because of such openness that China has become the UK’s second-largest non-European trading partner. Britain is one of the key destinations for Chinese companies seeking to invest overseas. Over the past five years, such

companies have invested more in the UK than in Germany, France and Italy combined.

An important reason why this has been possible is that both China and the UK have consistently respected and trusted each other. If Britain’s openness is a condition for bilateral co-operation, then mutual trust is the very foundation on which this is built.

Right now, the China-UK relationship is at a crucial historical juncture. Mutual trust should be treasured even more. I hope the UK will keep its door open to China and that the British government will continue to support Hinkley Point – and come to a decision as soon as possible so that the project can proceed smoothly.

It has not been easy for China and the UK to have come this far. As long as both sides cherish what has been achieved and continue to expand and deepen our co-operation across the board, bilateral relations will maintain their strong momentum and work for the wellbeing of both the Chinese and British people.

The writer is China’s ambassador to Britain

Airbus: cabin pressure

Remain calm. Yes, Airbus is being investigated by the UK’s serious fraud office for its use of third-party consultants to secure deals. Financially, this is unlikely to be a big deal. In its most recent quarterly statement the company announced an order backlog of €978bn. That is 15 times last year’s sales of €64bn. Any slowdown in new orders because of the investigation will be felt only at the margins.

In April the European aerospace company alerted the UK’s export finance agency, from which it was seeking trade financing support, about its failure to disclose aspects of its use of third parties. The SFO is now investigating allegations of “fraud, bribery and corruption” in this context, according to disclosures from Airbus.

Hypothetically, the investigation, which could take years to complete, could conclude that parts of Airbus’s backlog are derived from fraudulent sales practices. Fines or cancellations could then have a big impact. But the fact that Airbus has policed itself in this case gives reason to doubt this worst-case scenario.

The biggest tangible effect of April’s announcement has been the suspension of financing for Airbus by the British, French and German export credit agencies. Last year, however, only 6 per cent of Airbus’s deliveries relied on their support.

Boeing, Airbus’s US competitor, will probably use the investigation to market itself as the more legally compliant exporter. The case might also delay decisions by the US Treasury’s Office of Foreign Assets Control relating to Airbus’s \$27bn deal with Iran, struck in January.

Boeing has its own troubles. The Export-Import Bank of the United States, the US’s trade credit agency, has three vacancies on its board, which means it does not have the quorum needed to approve deals larger than \$10m. Approvals for nominations are being held up in the Senate.

Boeing is also facing an investigation: in February the Securities and Exchange Commission announced a review of the group’s profit recognition practices for two of its best-known jets. The criminal allegations around

Airbus should be taken seriously. But the market’s sanguine reaction to the news — shares traded 1.3 per cent lower — reflects an industry supported by global travel trends and accustomed to regulatory investigations.

Meggitt: low-flying fruit

If you have been running a company for a long time, the last thing you need is an activist hedge fund buying up your company’s shares. So Stephen Young, chief executive of Meggitt since 2013 (and finance director for nine years before then), should brace himself. Shares in the FTSE 250 civil aviation engineer jumped 7 per cent after the company announced yesterday that Elliott Advisors had amassed a stake of over 5 per cent.

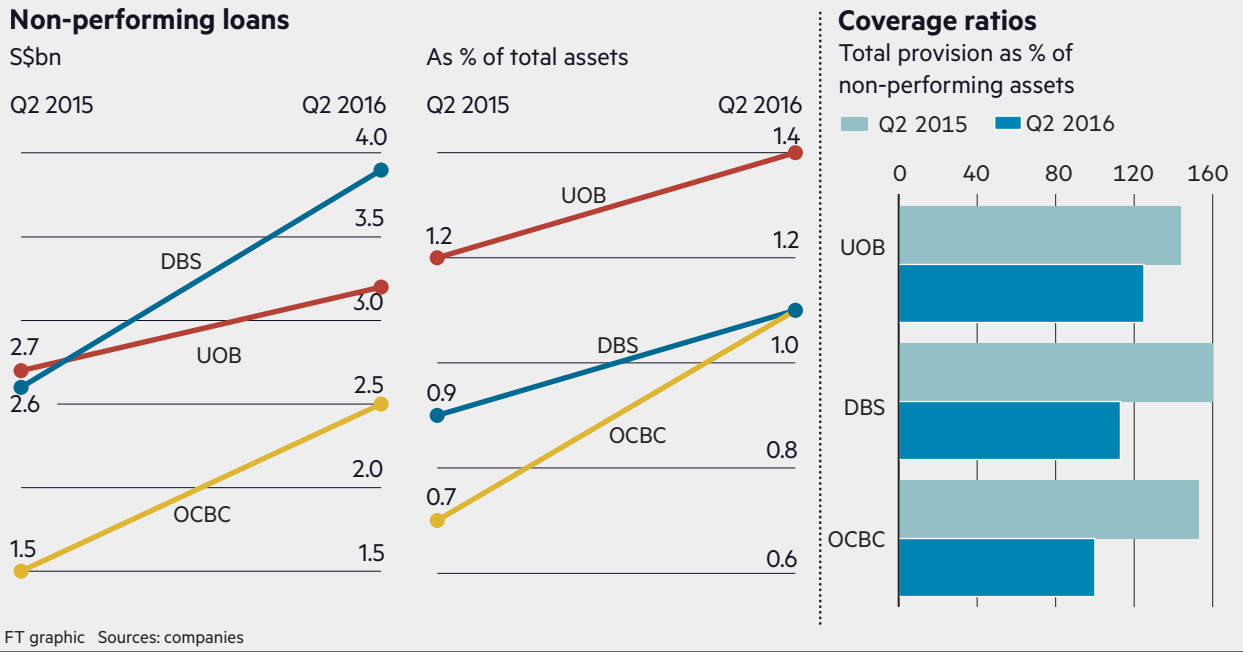
Meggitt supplies aircraft with parts at cost and then, over their multi-decade life cycle, profits from the lucrative service and parts replacement business: after-market sales account for around two-thirds of earnings. Over the past few years that has looked like a sure bet. Airline capacity has grown and these planes need more wheels, brakes and maintenance. Increasingly cost-conscious carriers, though, use more second-hand parts, often from middlemen. As a result, Meggitt’s underlying earnings per share (stripping out acquisitions and share buybacks) have been virtually flat since 2014, according to Barclays.

At the same time Meggitt has moved into the higher-margin composite materials needed to manufacture aeroplanes. It spent \$540m on acquisitions in 2015. Net debt has jumped to three times earnings before interest, tax, depreciation and amortisation, compared with an average of around 1.4 times over the previous three years. Free cash flow, though, has been consistently positive.

There is further potential upside for Elliott. Lower spending on research and development — it peaked at 10 per cent of sales last year — should boost cash flow. Moreover, plane orders are slowing but air traffic should still grow at around 5 per cent per year over the long term. A weak share price may have attracted attention; Meggitt has trailed the FTSE 350 industrials by 30 per cent over three years.

Too much excitement

Singapore banks’ non-performing loan ratios have been rising only slowly and still look reasonable. However, absolute levels of non-performing assets have increased considerably for these three key banks. Coverage ratios have been falling, however, indicating that provisions have not kept pace with souring loans



Tedium is not always bad. In a sector that has had a bit too much of the wrong sort of excitement in recent years, the pedestrian reputation of Singapore’s banks is welcome. That reputation is changing, however, as the group’s exposure to the oil and gas industry starts to hurt. There may be more pain ahead.

Yesterday, DBS’s second-quarter results revealed that the bank’s allowances for losses rose by 167 per cent. Much of this is related to Swiber, an oil and gas services provider, which filed for bankruptcy in late July. DBS said that its exposure to the company was more than S\$700m (\$518m). (The total loan book is S\$285bn.) As late as July, DBS played down the risks and lent the company

more money to help it keep going.

The loss so far has not been huge. With some protection from collateral and the availability of general debt provisions, the second-quarter loan write-off related to Swiber was limited to \$S150m (about a tenth of net profit for the quarter). Yet it highlights a worrisome trend. Even without Swiber, write-offs were up by more than half. Given that Swiber’s debt was technically still performing just before the company went bust, the extent of the bank’s risky loans could be understated. DBS has a further S\$7bn exposure in the oil services sector alone, and has identified parts of that portfolio as “weak”.

DBS is not the only bank with heavily cyclical exposure. Peers OCBC and

UOB have a similar proportion of their gross loans extended to the energy sector, at around 6 per cent. Add in other commodities-linked lending and that proportion is as much as twice as high. OCBC reveals that its non-performing loans in both sectors are far higher than the average.

Those who believe that Singapore’s banks still have enviably low NPLs and sound capital adequacy should draw a lesson from Australia’s banking sector, once believed to be similarly boring and safe. Long after they appeared to weather the worst of the commodity downturn, Australian bank shares are 26 per cent below their 2015 highs, and tedium is just a happy memory.

It may be that Elliott believes big changes are needed. More likely it sees value in Meggitt.

China coal/steel: stop the rot

For the past couple of decades, business professors have spun price deflation as a result of “innovative disruption”. In fact, the old economy — heavy industry — has been slowly killing itself for years.

Economic slowdown in China has brought the latest example: overcapacity in steelmaking and coal mining depressing prices. Though the Chinese government understands the problem full well,

its latest solution will not work.

China’s coal companies carry a lot of debt; some as much as their entire asset value. The banking regulator, China Banking Regulatory Commission, has had to get involved. To cut banks’ loan exposure to coal (and steel as well), the CBRC reportedly has plans to encourage local governments to aid the most indebted steel and coal companies by participating in debt-for-equity swaps with the banks.

Banks could use the help. In a worst-case scenario, non-performing loans could jump fivefold from the current 1.7 per cent of the total, thinks Credit Suisse. The coal and steel companies are even more needy. Shanghai-listed miners, such as Shanxi Coking Coal, jumped on the reports yesterday.

The promise of intervention in the coal and steel industries has coincided with a big rally in the prices of the underlying commodities. Thermal coal prices in China have jumped by nearly a third from the lows late last year. Meanwhile, the proportion of Chinese steel mills losing money has dropped to a fifth; a year ago almost all were in the red. All of this eases the pressure on bloated industries and does nothing to remedy overcapacity. In July steel production continued to rise, and exports are up more than 8 per cent this year.

Finance can provide pain relief but only harsh medicine — shutting uneconomic factories down — can cure. Extending the lives of zombie coal and steel companies will only prolong the “disruption” in these markets.

US retail M&A: tossing and turning

“Everybody sleeps”, according to Mattress Firm, the largest pure-play bed retailer in the US. Given a target market that includes all Americans, it may be surprising that its shares have fallen by more than half in the past year. But retail is an increasingly internecine fight for stingy consumers between physical peddlers and online ones. The best resolution for the also-rans is selling to a bigger, more desperate rival. Mattress Firm announced on Sunday that it would be acquired by South Africa’s Steinhoff International at a 115 per cent premium, valuing it at \$3.8bn including debt.

As brutal as the US retail market may be, Mattress Firm will allow the increasingly acquisitive Steinhoff to record a fifth of its revenues in stable dollars. Three-quarters of Steinhoff’s more than \$11bn in revenue comes from home goods, including mattresses. Whatever purchasing efficiencies the deal creates may, however, be offset by the risk of entering a new continent. Based on the \$3.8bn purchase price and expected operating earnings of Mattress Firm, the transaction’s return on invested capital is a thin 6 per cent, even before taxes.

Yet compared to the other big retail deal announced yesterday, Steinhoff’s looks like the picture of discipline and rigour. Walmart confirmed it would acquire start-up Jet.com for \$3.3bn.

Jet’s valuation at its last funding round was reported at just over \$1bn and it has been burning the cash it had raised trying to keep pace with Amazon. Walmart’s announcement was, unsurprisingly, light on financial metrics but said that Jet represented “another jolt of entrepreneurial spirit”. The expected returns will have to be calculated at another date.

Making big, risky bets may be the only way to have a shot at leadership in a fast-changing market. All the same, only the selling companies’ shareholders will sleep easy.

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WEATHER

Forecasts by **MeteoGroup**

Warm front Cold front Occluded front Wind speed in KPH

NEC Public Safety Solutions

Today's temperatures

| City | Temp | City | Temp |
|-------------|-----------|---------------|------------|
| Abu Dhabi | Sun 41 | Malta | Sun 30 |
| Amsterdam | Cloudy 18 | Manila | Thunder 30 |
| Ankara | Sun 32 | Miami | Thunder 32 |
| Athens | Sun 33 | Milan | Thunder 31 |
| Bahrain | Sun 39 | Montreal | Sun 29 |
| Barcelona | Sun 30 | Moscow | Fair 25 |
| Beijing | Cloudy 30 | Mumbai | Thunder 30 |
| Belfast | Cloudy 16 | Munich | Shower 22 |
| Belgrade | Sun 28 | Naples | Sun 31 |
| Berlin | Fair 21 | New York | Sun 30 |
| Brussels | Fair 19 | Nice | Sun 28 |
| Budapest | Sun 29 | Nicosia | Sun 40 |
| Cairo | Sun 35 | Oslo | Shower 19 |
| Cardiff | Fair 19 | Paris | Sun 21 |
| Chicago | Fair 31 | Prague | Rain 18 |
| Cologne | Shower 19 | Reykjavik | Fair 14 |
| Copenhagen | Fair 18 | Riga | Cloudy 20 |
| Delhi | Fair 33 | Rio | Fair 27 |
| Dubai | Sun 42 | Rome | Sun 29 |
| Dublin | Cloudy 16 | San Francisco | Fair 22 |
| Edinburgh | Shower 16 | Singapore | Fair 31 |
| Frankfurt | Fair 20 | Stockholm | Cloudy 19 |
| Geneva | Rain 22 | Strasbourg | Rain 20 |
| Hamburg | Shower 17 | Sydney | Fair 21 |
| Helsinki | Fair 19 | Tokyo | Fair 36 |
| Hong Kong | Sun 33 | Toronto | Sun 31 |
| Istanbul | Sun 32 | Vancouver | Rain 20 |
| Lisbon | Sun 31 | Vienna | Thunder 26 |
| London | Sun 21 | Warsaw | Thunder 23 |
| Los Angeles | Fair 26 | Washington | Rain 27 |
| Luxembourg | Fair 19 | Zagreb | Sun 29 |
| Madrid | Sun 34 | Zurich | Rain 19 |

Ensuring Public Safety Shouldn't Be as Unpredictable as the Weather

nec.com/rio

CROSSWORD

No. 15,314 Set by ARMONIE

ACROSS

- Bowled accurately? That's brilliant! (6)
- Admirer I get on with by and by (8)
- Entertain European in Italian restaurant (5)
- Old statesman in basilica gets sick (9)
- Talk endlessly about love being a weapon (7)
- The Spanish accept suffering of fish (7)
- Look suggestively back in the dance (4)
- Unwanted sewers start to shatter (8)
- Pilot eats pastry in court (8)
- Murderer one found in prison (4)
- Figure it's a month since opening of nightclub (7)
- Six-footer keeps quiet in survey (7)
- In transit, cutting east of Ontario (2,3,4)
- Barrel to leak drink (5)
- Short let arranged for Mavis (8)
- German traps vermin found in the kitchen (6)

DOWN

- Look for the workers of Smithfield (8)
- One close to retreat is resolute (2,7)
- Food produces a bit of pain in bad tooth (6)
- Stood in London borough creating treachery (6-7)
- Slow to embrace enterprise to make milk (7)
- Taxidermist initially given rotting body part (5)
- Old priest's in Haiti for enjoyment (6)
- Alien conquest turned out to be significant (13)
- Patsy and son head assault (9)
- Water and ink spoiled clothing (8)
- Entrance of French painter to society (7)
- Escaped? Make for solicitor! (3,3)
- A biro's wielded on a synoptic chart (6)
- Trade union gains prominence in school (5)

JOTTER PAD

Solution to Saturday's prize puzzle on Saturday August 20
Solution to yesterday's prize puzzle on Monday August 22
Winners' names will be printed in Weekend FT

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Companies & Markets

FINANCIAL TIMES

Election watch Healthcare stocks get over Clinton's \$15bn tweet
SMART MONEY, PAGE 22



| Pioneer | Bristol-Myers Squibb | Danone | Brent oil | Dollar/yen | Copper (LME) | Nikkei 225 | Gold |
|-------------------|----------------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| 16.93% ¥221.00 | 15.99% \$63.28 | 1.59% €68.53 | 2.4% \$45.33 | 0.7% ¥102.55 | 0.4% \$4,810 | 2.4% 16,650 | \$2 \$1,337 |

Elliott steps up activism in Europe

◆ US fund takes 5.2% stake in UK aerospace supplier ◆ Sector seen as ripe for consolidation

MICHAEL POOLER
AND LINDSAY FORTADO — LONDON

Elliott Management, the New York hedge fund that specialises in campaigning for better terms during takeovers, has taken a 5.2 per cent economic interest in Meggitt, a leading UK-listed aerospace components maker.

It is the latest in a series of moves in Europe by Elliott, one of the largest activist hedge funds that typically buys stakes in companies that are subject to takeover bids, where it then pushes for higher offers.

Meggitt said Elliott had entered into a derivative contract over stock amounting to a 5.2 per cent stake in the com-

pany. This would rank Elliott among Meggitt's five largest shareholders. Some analysts and consultants have long seen aerospace suppliers as ripe for consolidation and the fall in sterling's value since June's Brexit referendum could make UK companies particularly attractive to overseas buyers.

The move came after Elliott last month raised its stake in Poundland to 17.5 per cent, shortly after the UK discount chain agreed to be bought by Steinhoff, the South African retailer.

Last month Anheuser-Busch InBev, the world's largest brewer, increased its offer for rival SABMiller to £79bn to quash an investor rebellion involving Elliott, which after buying a 1.46 per

cent stake in the target had criticised the takeover terms.

Not all Elliott's campaigns have been successful. Last year Elliott's opposition to Samsung C&T's all-share takeover of Cheil Industries failed to stop the deal, which strengthened the founding family's grip on the South Korean group.

Elliott started to amass its stake in Meggitt in January, said one person briefed on the situation. Shares in Meggitt climbed 7.6 per cent yesterday to 446.1p, giving the company a market capitalisation of £3.4bn.

The hedge fund declined to comment on the motives for its investment.

Meggitt said Elliot had amassed its interest in the company's shares

7.6%
Rise in aerospace supplier Meggitt's stock yesterday

£3.4bn
Market capitalisation of the London-listed business

through a financial instrument called a contract-for-difference. Meggitt declined to comment on interactions with shareholders.

In contrast to how Airbus and Boeing enjoy a duopoly in the manufacturing of passenger jets, their suppliers are fragmented, with profit margins varying markedly. Meggitt makes products including aircraft wheels and brakes, smoke detection systems, and surveillance drones.

Meggitt's share price plunged 22 per cent last autumn after the company issued a profit warning, although the stock is up almost 20 per cent so far this year.

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Short View

Jennifer Hughes



Would the renminbi be faring better if it were universally known as the redback? One year on from the devaluation that shocked markets, offshore deposits in the Chinese currency have fallen by a quarter, with its share of payments down more than a third.

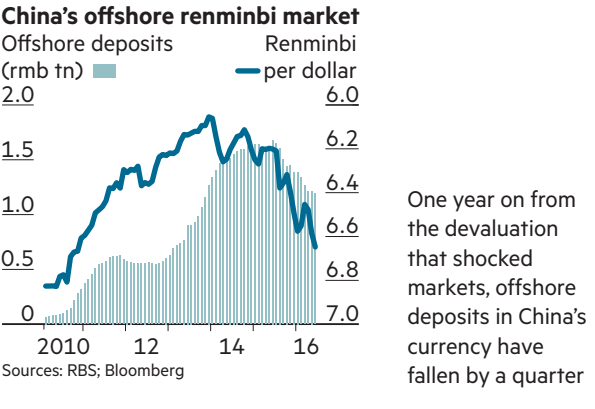
The chances are that these falls are cyclical and not directly linked to the currency's name. But Eurodollar, as the offshore dollar market is known, rolls off the tongue, unlike offshore renminbi, and traders like catchy names.

For those who think China's rise as a world economic power will continue, internationalising the renminbi is a long-term economic play as well as Beijing policy. Like the Eurodollar market, which developed outside the US in the postwar period, its use will ultimately be determined by demand outside its home country. Along the way, however, the renminbi will be buffeted by events.

Looking at payments and deposit data, buffeting is what has happened. Surprised by the volatility and weakness in the past year, mainland companies have been paying down dollar debt and have drawn on offshore renminbi to do so. Retail savers who thought the currency a one-way appreciation bet have had to think again. In another example of products with a catchy name, dim sum bond issuance — offshore renminbi debt — has fallen too as the costs of borrowing offshore have risen.

The renminbi's use in payments has slid from a 2.79 per cent share in August 2015 to 1.72 per cent in June, according to Swift, the payments service. Over that period it has gone from ranking fourth, ahead of the yen, to sixth, behind the Canadian dollar. At the same time the number of banks able to deal in it has risen by a 10th, suggesting that the financial system is still only partway through the process of gearing up to handle the currency.

Now to find a name. Eurorenminbi is out. The market codes — CNH for offshore and CNY for mainland — are not a headline writer's dream. Dim sum is taken, as is panda for onshore bonds. Redback is gaining currency but there is room for something better. Yuan-related puns have been banned in the Financial Times as tired and mispronounced. One colleague suggests bamboo bucks, another dragonbacks. Ideas on a postcard, please.



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UK probes Airbus Claims of corruption at passenger jet arm

Airbus is facing a criminal investigation by Britain's Serious Fraud Office into allegations of fraud, bribery and corruption in its passenger jet business that comes as a severe blow to the European aircraft maker.

The announcement followed revelations in April that Airbus was in discussions with the SFO after having admitted it had failed to notify authorities on the use of third-party agents in deals that it was asking the UK government to cover with financing guarantees.

The investigation could last several years and the cloud it casts will be aggressively exploited by the company's US rival, Boeing.

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Lex.

'Remain calm. Any slowdown in new orders due to the investigation will be felt only at the margins'

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Adrian Dennis/AFP/Getty Images

Crisps or chips? US premium snack maker to buy UK rival for £300m

LINDSAY WHIPP — LONDON

The private equity owner of Tyrrells Crisps has sold the British producer of upmarket snacks to a small US snack maker for £300m, including debt, as the global market for premium snacks heats up.

The sale to Austin, Texas-based Amplify Snack Brands gave Bahrain-based Investcorp a return of three times its investment three years ago, Hazem Ben-Gacem, head of its corporate investment team, said.

Investors welcomed the deal, with Amplify's shares gaining 5.4 per cent to \$14.51 in morning trade in New York.

Under the three-year ownership of Investcorp, Tyrrells' sales and earnings

before interest, tax, depreciation and amortisation have more than doubled, and staffing levels have increased 70 per cent. Expansion has included the purchase of Lisa's in Germany and Yarra Valley in Australia, doubling the proportion of Tyrrells' total sales from international markets to 40 per cent from 20 per cent three years ago.

The deal will enable Tyrrells, which has made a foray into popcorn and tortilla chips, to make a serious move into the \$9.2bn US market for chips — or crisps as they are known in the UK. The market is dominated by PepsiCo's Frito-Lay brands.

The acquisition will also provide a platform for Amplify's products, which include Paqui tortilla chips and Skinny-

Pop popcorn, in 40 markets worldwide. The two companies had about \$317m in pro-forma net sales for the year to the end of June, with Amplify accounting for about two-thirds of that.

David Milner, chief executive of Tyrrells, who will move to Amplify to take charge of the company's non-US operations, said the company aimed to increase its sales in the premium and better-for-you categories.

Mr Milner said: "We had a very attractive offer we feel was hard to ignore, and secondly, the people who made the offer — we admired SkinnyPop from afar . . . They are very similar to us, being a relatively small food business that is really fast-growing, and not bureaucratic. We fit together very well."



Ailes' use of Fox budget sparks governance fears

Corporate governance experts have questioned how Roger Ailes was able to use Fox News funds to buy the silence of a woman who complained about him without its coming to the attention of Rupert Murdoch's 21st Century Fox, owner of the network.

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COMPANIES

Technology

Amazon Japan raided in antitrust probe

Watchdog investigates whether retailers were forced to reduce prices

LESLIE HOOK — SAN FRANCISCO
KANA INAGAKI — TOKYO

Antitrust authorities have raided the offices of Amazon Japan, as part of an investigation into whether the US e-commerce company forced retailers to set their prices lower than on other sites. The investigation raises fresh questions about Amazon’s control over retailers who sell items through Amazon.com, typically at prices that are as low as or lower than prices found elsewhere. Japan’s Fair Trade Commission, the

antitrust watchdog, confirmed the raid after it was earlier reported by the Nikkei newspaper. At issue is the question of whether Amazon Japan unfairly forced retailers to give advantageous pricing to Amazon.com and not to other sites. Japan is Amazon’s fourth-largest market, behind the US, UK and Germany, with sales of \$8.3bn last year. Antitrust lawyers said the investigation in Japan was one that could resonate in other markets as well. “I do think Amazon maybe has something to worry about,” said John Briggs, competition lawyer at Axinn Veltrop & Harkrider. “Various competition commissions around the world are more likely to find this is something worth taking a look at,” he added,

pointing to the US and EU in particular. The pricing issue between Amazon and its retailers has echoes of a landmark antitrust case in the US against Toys R Us, which required its suppliers to provide it with certain exclusive toys that could not be sold elsewhere. The toy seller was found to have violated antitrust rules in that case. Earlier antitrust investigations have so far had little impact on the company’s business model, in part because Amazon consumers are shown typically to benefit from the low pricing enforced by the commerce company. Amazon’s market share of retail sales also falls below antitrust thresholds in markets such as the US, where rival Walmart has higher annual sales.

‘I do think Amazon maybe has something to worry about’

John Briggs, competition lawyer

Other antitrust investigations under way include one in Germany, where Amazon and Apple are under investigation by antitrust authorities over the pricing of audiobooks published by Audible, the audiobook company owned by Amazon. In the US, presidential candidate Donald Trump has lambasted Amazon and its founder Jeff Bezos, and called for antitrust investigations into the company. In Japan, one of Amazon’s chief competitors is Rakuten, the Japanese e-commerce company with interests spanning banking to travel. Amazon has been expanding its operations in the country, and is also in talks over the possibility of drone delivery testing in the Japanese market.

INSIDE BUSINESS
FINANCE

Sujeet Indap



Out-of-court bond exchanges threatened in college legal battle

Perversely enough, corporate bankruptcy is not cheap. Protracted fights between duelling bondholders, banks, trade creditors and the companies involved often maximise value only for lawyers. So, to avoid costly and inefficient Chapter 11 brawls, businesses have been increasingly choosing to restructure their balance sheets through out-of-court bond exchanges.

Now, though, even these bond exchanges may be threatened by an esoteric court battle over a Depression-era law. According to the US Trust Indenture Act of 1939, which governs the terms of bonds, the right of bondholders to receive principal and interest cannot be altered without their unanimous consent (although in a formal bankruptcy this does not apply, and a judge can impose a restructuring against creditors’ wishes).

However, a test case about for-profit college Education Management Corporation is questioning what counts as an impairment of the payments a bondholder is owed. As such, it threatens to make these widely used out-of-court bond restructurings trickier to execute — potentially raising the cost of capital for many companies and upsetting well-functioning capital markets.

EDMC ran into financial trouble in 2011 with \$1.5bn of loans and bonds outstanding. It could not file for bankruptcy because that would have made it ineligible for federal funding, which was its lifeblood. So the company devised a restructuring plan to slash its total debt and gave partial repayments to various creditors.

If it could not secure bondholders’ unanimous consent for this, it had a back-up plan: it would create a structure where the “holdouts” — those bondholders opposed to the plan — could technically keep their existing bonds on their original terms. But EDMC’s core assets would be shifted to a new unit, leaving the holdouts with a claim on an empty shell and thus rendering their bonds worthless.

Marblegate, a hedge fund holding just \$14m worth of EDMC bonds, sued — arguing that its rights under the TIA had been violated by EDMC’s restructuring. A New York district court in 2015 sided with Marblegate. It reasoned that Marblegate’s “practical” right to payment had been altered without consent, even if the formal terms had not been changed.

In its ruling, the district court wrote that changing payment to creditors over their objections could only occur in a formal bankruptcy where a judge oversees the process. Since then, the decision has been appealed and a decision is pending.

What the appeal court decides will have widespread ramifications. According to data from Moody’s, out-of-court bond exchanges have come to represent more than half of all corporate restructurings compared with just a fraction 20 years ago.

Debtwire, the research firm, has noted that even relatively routine bond exchanges involving large companies such as Chesapeake Energy have recently drawn challenges on TIA grounds. Tellingly, Xtract Research has detected an uptick in issuance of privately-placed bonds that are unregistered with the Securities and Exchange Commission and not subject to the TIA.

Bond battles citing the TIA have even reached the halls of the US Congress. Caesars, the casino group, lobbied legislators after it suffered a preliminary loss in another TIA case. Caesars tried to tighten the law’s language to prevent dissident creditors from upsetting its restructuring plan. But two attempts by US lawmakers to slip TIA provisions into a broader legislation in recent months have failed.

For investors, the TIA creates a tension. Its requirement that 100 per cent of bondholders consent to any change in their bonds’ terms can prevent a minority of investors being exploited by a treacherous majority. Alternatively, it can empower even a small minority to prevent an optimal out-of-court bond exchange from being completed.

Both the EDMC and Caesars cases exemplify the dilemma. At EDMC, a solid 80 per cent of creditors agreed to a deal. At Caesars, a bare majority pushed through the release of a bond guarantee in a manoeuvre that an independent examiner described as “ugly”.

Harvard Law School bankruptcy expert Mark Roe recently wrote that TIA decisions of late have correctly solved the problem of bondholder coercion. Ultimately, however, he believes Congress or the Securities & Exchange Commission should relax the requirement for unanimity to allow changes to bond terms. Otherwise, we can expect the lawyers — in Chapter 11 bankruptcy cases, or in ordinary court cases figuring out what counts as payment impairment — to become much busier.

sujeet.indap@ft.com

Media. Harassment scandal

Ailes’s use of Fox funds sparks governance fears

Ex-network chief paid \$3m severance settlement to ‘silence’ former employee

MATTHEW GARRAHAN — NEW YORK

Corporate governance experts have questioned how Roger Ailes was able to use Fox News funds to buy the silence of a woman who complained about him, without it coming to the attention of Rupert Murdoch’s 21st Century Fox, owner of the news network

Fox News paid Laurie Luhn, a former guest booker, a severance package worth \$3.15m in 2011 shortly after she told the network that Mr Ailes had sexually harassed her for 20 years.

21st Century Fox parted company with Mr Ailes last month after Gretchen Carlson, a former Fox News presenter, alleged in a lawsuit that he had sexually harassed her. The company said it only learnt about the payment to Ms Luhn recently. Mr Ailes has denied the accusations; his lawyer did not return calls seeking comment.

“A settlement of that size that involved a complaint against Roger Ailes would hopefully have come to the attention of senior officials of 21st Cen-

‘This should have gone up to the audit committee very quickly. It should have been looked at’

tury Fox,” says Charles Elson, of the Center for Corporate Governance, University of Delaware. “That it didn’t from a controls standpoint raises concerns.”

John Coffee, director of the Center on Corporate Governance at Columbia University Law School, says Fox’s auditors should have known about the payment. “This should have gone up to the audit committee very quickly. It should have been looked at.”

Professor Elson adds that the payment would have been reflected in the company’s books. “Anyone over Mr Ailes reviewing the financials of that division would have caught it — unless it was characterised in a way that was hard to decipher,” he said. “Either way you look at it, it is something the senior management team at the parent company should have seen. It is a large number which, if accurately reported, would have been reflected in the company’s financials.”

At least six other women are known to have complained about being sexually harassed by Mr Ailes. 21st Century Fox declined to comment on the findings of an internal investigation.

Ms Luhn’s confidential settlement with Fox News, which was first reported in New York magazine, was shortly before the separation of the network’s



Ex-Fox News presenter Gretchen Carlson, left, alleged that Roger Ailes — who left 20th Century Fox last month — had sexually harassed her. A media analyst has pointed to cultural failings in Rupert Murdoch’s empire — Rob Kim and Drew Angerer/Getty Images

parent company into two companies: one, 21st Century Fox, housing its entertainment and television assets — including Fox News — and the other, News Corp, the home of its print and publishing portfolio.

The separation happened after News Corp had been rocked by the UK phone hacking scandal, which blew up in 2011 after several years with the revelation that its News of the World tabloid had illegally hacked the phone of Milly Dowler, a murdered schoolgirl. Before that, News Corp’s UK arm had paid confidential settlements to other victims of phone-hacking — including Gordon Taylor, the chief executive of the Professional Footballers’ Association, who received about £700,000 in 2008.

21st Century Fox has rejected comparisons between its approach to the Ailes scandal and News Corp’s handling of the phone-hacking affair, pointing to the speed of its response to Ms Carlson’s allegations.

“The fact is we have a robust compliance structure and strong controls

embedded across our company,” a spokesman said. “Within hours of the first public complaint raising an issue at Fox News, we commenced an investigation, and less than two weeks after that investigation began, the chairman and CEO of Fox News departed.”

The company, together with News Corp, moved to a more centralised compliance structure after the phone-hacking scandal, hiring Gerson Zweifach, a former partner at the Williams & Connolly law firm, as well as a senior official from the Securities and Exchange Commission and a former federal prosecutor to lead the efforts.

But with Ms Luhn having complained of harassment lasting 20 years and multiple other women complaining about Mr Ailes, his alleged behaviour — like phone-hacking — appears to have gone

undetected for a prolonged period. Ken Doctor, a media analyst with Newsonomics, points to cultural failings within the Murdoch empire that allowed the phone-hacking and Ailes scandals to occur.

Mr Murdoch has always employed strong leaders and given them real autonomy, he says. “They are able to run the business profitably and are given tremendous leeway — and you can laud him for that.” But when things go wrong “you have to have enough people in your company other than your strongman to say: ‘we have got a problem here.’”

At both News Corp’s UK division with the phone-hacking scandal and at Fox News with the Ailes allegations “the culture was so singular and did not brook dissent that management did not do anything about it until it was too late”.



NICHOLAS MEGAW — LONDON
MARY CHILDS — NEW YORK

Shares in Sotheby’s jumped as much as 23 per cent yesterday after the New York-based auction house said it had returned to profit in the second quarter, although it warned that the art market was in decline.

Pre-tax profits in the three months to June 30 were 14 per cent higher than in the period last year at \$123m, as the group benefited from lower taxes and the timing of large sales.

Revenues continued to slide, down 10 per cent to \$299m, as net auction sales fell 16 per cent.

Mike Goss, chief financial officer, said, investors “should focus on six-month results”, which showed a 28 per cent decline in pre-tax profits to \$84m. First-half revenues were down 16 per cent to \$405m.

“While we would certainly prefer to see a stronger art market, we are pleased with the progress we have been making on our strategic initiatives and the beneficial changes to our team and organisation,” said Tad Smith, chief executive.

Best known for multimillion-dollar auctions of Impressionist art, Sotheby’s has in recent years fallen behind rival Christie’s, which dominates the contem-

porary market. But sales at Christie’s declined 27 per cent in the first half to £2.1bn, as fewer works priced at more than £20m were put to auction.

After years of rising prices, the art market cooled last year as volatility in global financial markets trimmed fortunes. Global sales fell 7 per cent in 2015 to \$63.8bn, according to the Tefaf Art Market Report. Prices for top lots continued to soar, while lesser works failed to sell.

Concern about a wobbly market has made collectors less enthusiastic about selling artworks. Auction houses have scaled down sales and reined in previously generous guarantees.

Airlines

Delta grounds flights globally after power cut

RICHARD MILNE AND JOEL LEWIN

Delta Air Lines warned passengers to expect delays and cancellations as it resumed limited flights yesterday after a computer crash forced it to ground all planes globally.

A power failure in Atlanta, Georgia, where the group is based, began at 2.30am local time and hit its computer systems, leading to the grounding of all of its planes worldwide.

At 8.40am the US carrier said it had lifted the order and some planes were taking off.

Several incidents have underscored US airlines’ vulnerability to IT gremlins.

In September last year American Airlines was forced to suspend flights for several hours from Dallas/Fort Worth, Miami and Chicago after what it called “connectivity issues”.

Southwest Airlines grounded flights last month after a technology outage.

Delta customers vented frustration yesterday at a lack of communication. “Unfortunately we aren’t able to access any of our systems,” the group said.

Lauren Schaefer wrote on Twitter: “I’m sorry to say Delta but you have failed me. Stuck at Heathrow airport for who knows how long.”

The shares, which have dropped 32 per cent this year as excess capacity

in the US market has put pressure on earnings, were down 3 per cent in pre-market trading yesterday but were up 0.6 per cent by late morning.

Flights that had been in the air when the outage occurred were unaffected, but all other departures were grounded for several hours.

Delta — which operates about 5,000 flights a day — issued a waiver allowing passengers to rebook any flight scheduled for yesterday.

“There may also be some lag time in the display of accurate flight status at delta.com, the Fly Delta app and from Delta representatives on the phone and in [the] airport,” the group said.

Retail & consumer

Sotheby’s shares jump as it returns to profit

COMPANIES

Airbus probe poised to shake up Boeing rivalry

Investigation by UK anti-fraud agency points to an imminent reduction in the use of third-party agents to win contracts

ROBERT WRIGHT — LONDON

It is among the most intense rivalries in world industry.

Airbus and Boeing, the two companies that dominate the manufacturing of passenger jets, engage in frantic battles to win eye-catching deals in the run-up to industry air shows. The contracts with airlines and leasing companies are then announced with much fanfare at Farnborough in the UK, Paris or Dubai.

However, the disclosure that the UK’s Serious Fraud Office is investigating Airbus’s use of third-party agents in securing certain contracts has put the spotlight on how some of those deals may have been won. The contracts under investigation look likely to have been predominantly obtained in emerging markets, whose growth was a particular boon to the civil aviation market over the past decade, according to analysts.

Airbus said on Sunday that the SFO had opened a criminal investigation into allegations of “fraud, bribery and corruption” in its civil aviation business relating to “irregularities concerning third-party consultants”.

The probe could prompt long-term changes in how Airbus, where the French and German governments are key shareholders, competes with Boeing, a US company with no state investors, say analysts. Airbus’s greater willingness to sign up third-party agents to win deals in developing countries has long been a source of frustration for Boeing, which felt restricted by the US’s draconian Foreign Corrupt Practices Act, add the analysts.

Richard Aboulafia, an analyst for the Virginia-based Teal Group, says US aerospace companies always looked on with envy at the relative laxity of the controls on their European rivals’ relationships with middlemen.

“The joke in the US defence industry used to be, ‘Here it’s illegal; there it’s tax deductible,’” says Mr Aboulafia, referring to the practice of paying fees to third-party agents. “That might not be quite true any more but that’s been the US viewpoint.”

The UK government’s bribery act, passed in 2010, is one of a number of signs that European rules are tightening. In 2012, the SFO launched a probe into alleged corruption by GPT Special Project Management, an Airbus unit, and how it won a £2bn contract to supply communication systems to Saudi Arabia’s national guard.

Katherine Dixon, director of defence and security for Transparency International, the campaign group, says the use of third-party agents in civil and military aerospace deals is a particularly high risk area for corruption.

“We would be strongly in favour of more rigorous controls over the transparency of agents,” she adds.

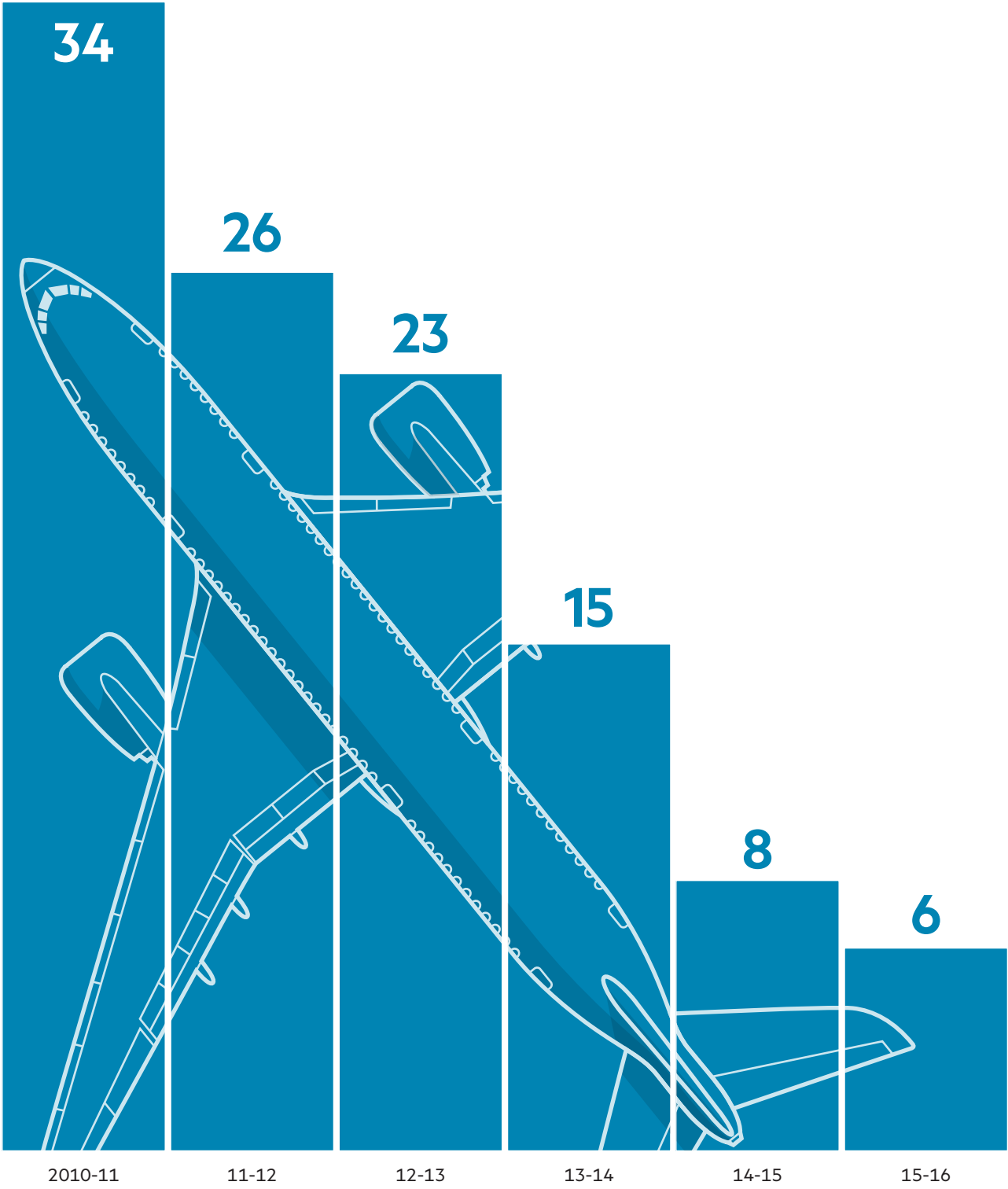
Against this backdrop of concern, the SFO investigation also appears to reflect one of the biggest changes to have swept the industry in the past two decades.

Airbus and Boeing can no longer count on support from their home gov-

Flight order

Airbus’s export credit agency support

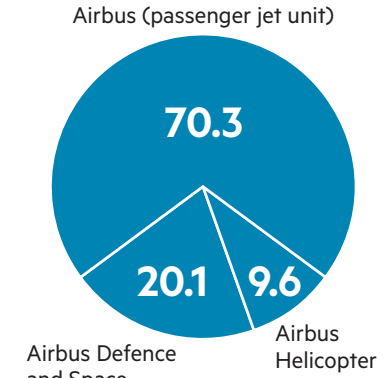
As % of deliveries



Includes French, German and UK export credit agencies
FT graphic Sources: UK Export Finance; companies

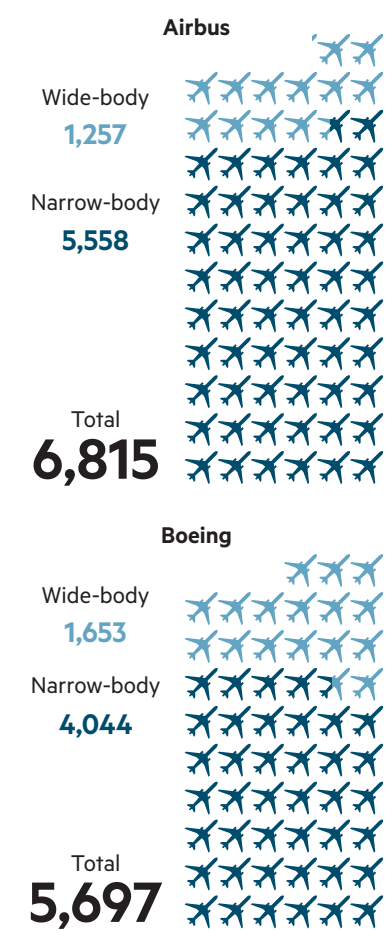
Airbus’s passenger jet division is the group’s largest unit

Revenues, 2015 (% share)



Commercial aircraft order backlog

Number of jets, as at Jul 2016



‘The joke in the US defence industry used to be: here it’s illegal; there it’s tax deductible’

ernments when trying to win deals with customers, because such arrangements have been barred by World Trade Organisation rules.

This has left the manufacturers negotiating in many emerging markets with governments and airlines still closely associated with the state. Airbus and Boeing have often been expected to hire intermediaries to undertake talks.

The changes have coincided with a surge in economic growth that has made emerging markets far more important sources of aircraft orders, says Mr Aboulafia. “You have a much greater level of emerging market involvement in the market, with a lot of uncertainty, complete with a pullback by governments in sales,” he adds. “It means you’re going to

use local agents to a far greater extent.” Ms Dixon says the nature of many developing countries has not altered, in spite of the wider economic changes. “They are very difficult markets to operate in,” she adds.

Industry insiders portray US aerospace companies as hidebound by arcane rules restricting them from offering even the smallest favour to local partners.

One US analyst, who asks not to be named, says US companies’ processes for reviewing new aircraft orders are “remarkably stringent”. “You probably have more lawyers than salesmen involved,” he adds.

Airbus, meanwhile, is perceived by some to have typically taken a more

freewheeling approach. “Airbus’s sales organisation operates with greater autonomy than Boeing’s sales organisation,” says the analyst. “Airbus has been both creative and abrasive, Boeing a little more deliberate.”

Airbus’s press release announcing the SFO investigation on Sunday made clear that the company itself had reported the issue: a sign that it appreciated the changes in governments’ expectations.

Back in April, Airbus said it was in discussions with the SFO after admitting that it had failed to notify authorities about the use of third-party agents in deals it was asking the UK government to cover with financing guarantees.

It also said some export credit support from European governments had been

High flyers
For more news, analysis and comment on the aerospace industry, visit ft.com/aerospace

Intermediaries in focus

Contracts probe echoes inquiry at Rolls-Royce

The UK Serious Fraud Office’s investigation of Airbus echoes a long-running probe of Rolls-Royce over bribery and corruption allegations.

In 2012, the British jet engine maker gave the SFO the findings of an internal inquiry launched after questions were raised by a whistleblower.

A year later, the SFO launched a criminal probe into allegations of bribery and corruption at Rolls-Royce.

In common with the Airbus case, some of the claims against Rolls-Royce focus on its use of intermediaries to clinch contracts.

Rolls-Royce said in December 2012 that it had passed information to the SFO “relating to concerns about bribery and corruption involving intermediaries in overseas markets”, after a request from the agency about “allegations of malpractice in Indonesia and China”.

In May the Financial Times reported the SFO probe had expanded to Nigeria.

Warren East, Rolls-Royce chief executive, has said that unethical behaviour will not be tolerated and the group has cut its use of third-party agents significantly.

Rolls-Royce declined to comment on investigations that are still under way but it said the company was co-operating with the SFO and other authorities.

The company added: “Concerns about bribery and corruption involving intermediaries in a number of overseas markets remain subject to examination by the [SFO] and other authorities . . . we have made it clear Rolls-Royce will not tolerate business misconduct of any kind.”

Michael Pooler and Catherine Belton

suspended. But neither Airbus nor Boeing currently depends heavily on state-organised export credit because low interest rates mean good commercial terms are available.

The ultimate effect of the SFO investigation into Airbus may be to shift governments’ policies, according to Ms Dixon.

She highlights how the UK government passed its bribery act at the same time as encouraging British defence companies to forge links with emerging markets with significant corruption problems. The result has been a steady stream of scandals. “It’s a little bit contradictory,” says Ms Dixon.

Additional reporting by Catherine Belton

See Lex

Financial services. Private correspondence

Bahamas privacy case puts Moore Capital founder in the spotlight

Court says billionaire’s rights breached after emails made public in parliamentary debate

MARY CHILDS AND SUJEET INDAP
NEW YORK

Louis Bacon, the billionaire hedge fund manager, has been provided with some respite in an otherwise tumultuous year after a Bahamian court vindicated claims that his environmental group’s rights were breached when its private correspondence was read in the country’s parliament.

Emails between the Save the Bays foundation, a not-for-profit group Mr Bacon co-founded in 2013, and his brother Zachary were disclosed in a parliamentary debate in March. That violated both parties’ rights, according to Save the Bays’ attorney Fred Smith, and undermined the privacy that has long been the basis of the islands’ allure for the financial services industry.

The Bahamian Supreme Court ruled last week that its government could not rely on the shield of parliamentary privilege, and that reading private emails constituted a breach of privacy.

The decision is expected to be appealed, but Mr Smith said it would have implications for the interpretation of parliamentary privilege in any country under British Commonwealth law.

“It’s the simple fact of having our pri-

vacy raped by the members of government,” he said. “Whatever the emails contain, whatever our private financial information with our banks may be, it is absolutely no business of the government to take it and launder it in public.”

The drama is one of several this year that have thrown the intensely private Mr Bacon and his \$15bn Moore Capital Management into the spotlight, a place hedge fund managers normally try to avoid. The unwanted attention comes as sentiment towards the industry has soured and investors have been dropping hedge funds, disillusioned by their high fees and lacklustre returns.

While Moore Global and the larger Moore Macro Managers fund have returned more than 10 per cent for more than 20 years, this year has proven less profitable.

Moore Global has gained 1 per cent in the period to July 21, people with knowledge of the figures said. Moore Macro Managers has lost 3.9 per cent.

Other large macro funds including Brevan Howard and Tudor have also struggled in 2016, and Hedge Fund Research’s asset-weighted index of macro hedge funds has returned nothing through to the end of July.

The Save the Bays emails were read out in the context of a years-long feud between Mr Bacon and his neighbour, Canadian clothing mogul Peter Nygard.

Mr Bacon has alleged that Mr Nygard is harming the environment around Clifton Bay, where both men have

homes. Mr Nygard denies the allegation. In turn, Mr Bacon has rebutted accusations that Save the Bays was a lobbying organisation aiming to overthrow the government.

Mr Bacon’s victory in the emails case is a relief after a string of negative headlines.

In March, Moore’s charitable foundation said it lost about \$25m in what the US Securities and Exchange Commission alleged was a “brazen fraud” by a former private equity executive.

Over the Fourth of July weekend, a Moore trader called Brett Barna hosted a party in the Hamptons that he presented as a fundraiser for Last Chance Animal Rescue. Photographs and videos of the “sprayathon” that circulated on social media showed champagne guns, a live musical performance, dwarfs and hundreds of attendees crowded around a pool.

The venue had been rented from a businessman, Omar Amanat, who claimed property damages of \$1m and



days later was arrested on unrelated fraud charges.

Amid a media furor, Mr Barna was fired a few days after the party. Moore said his “personal judgment was inconsistent with the firm’s values”.

“We raised \$100,000 to save animals that would otherwise be killed in rural municipal animal shelters,” Last Chance’s founder Whitney Knowlton said through a spokesman.

“The initial media coverage of our fundraiser described an event very dif-



Louis Bacon’s case claims that parliamentary disclosure of the emails violated his rights and undermined the privacy that has been the basis of the Bahamas’ allure for the financial services industry

ferent from the one we held.” The details of the event remain disputed but the reaction to it was telling.

According to one former employee, throwing dwarfs into a pool would have raised few eyebrows in hedge funds 20 years ago, but as the industry has matured, investors’ appetite for the wild cultures that went along with volatile returns has waned.

In the early days, Moore Capital was largely just Mr Bacon taking outsized risks and generating outsized returns. In 1995, Mr Bacon brought in Elaine Crocker, an early investor, as president. She helped reshape Moore into a more institutional company.

Mr Barna fell foul of the changed culture, and of Mr Bacon’s broader philosophy on risk, the former employee said.

“Louis is loyal to people like he is [to] trades,” he said. “He’s loyal until you are just too much risk.”

Mr Barna was probably not helped by the scrutiny now faced by hedge funds that have long prized their freedom from public attention. The Bahamian courts have restored at least a fraction of that freedom.

Vindication for the government would have created “quite a tsunami in the financial services world internationally”, Mr Smith said. “This industry is built on privacy, and [the government] grossly betrayed this industry — they sacrificed it on the altar of protecting Mr Peter Nygard at the expense of Louis Bacon’s privacy.”

COMPANIES

Banks

Deutsche fined \$12.5m over hoots and squawks

Private client division staff were allowed to hear ‘non-public’ information

BEN MCLANNAHAN — NEW YORK

Deutsche Bank needs to get a better grip on its hoots and squawks. That was the finding of the Financial Industry Regulatory Authority, the self-policing watchdog for the securities industry in the US, which fined the German bank \$12.5m yesterday for failing to exercise proper controls over the information pumped out over its internal speaker system. Bulletins, or “hoots”, are disseminated over an intercom system known as a “squawk box”, with channels broadcasting from various departments. The equity research department would use a hoot to alert employees to a change of recommendation on a stock, while the trading floor would tell people about a big block trade. Such systems are common on Wall Street and help traders respond quickly to fast-moving situations. Finra found that for six years from 2008 Deutsche had allowed hoots from the trading floor to be broadcast to employees of the private client division, which serviced very rich customers. The bank took steps to restrict access to hoots in 2014. But until then, Finra

found, the bank had repeatedly ignored red flags indicating that its supervision was inadequate. In July 2008 a review by the internal audit department found that there was no way of knowing whether hoots were being heard by employees with “a need to know” and recommended curbs. In March 2009 a rival broker was punished for lack of squawk-box supervision, prompting Deutsche to set up a working group to look into tightening its processes. But in neither instance did the bank take action. As a result, said Finra, “at least one” employee had “communicated potentially confidential and/or material non-public information to customers”, providing them with “a potential informational advantage”. Deutsche declined to comment. In settling, the bank neither admitted nor denied the charges, but consented to the entry of Finra’s findings. Yesterday’s fine is the latest in a series of regulatory blows for the German lender, which has been trying to reshape its business in the US under the leadership of John Cryan, chief executive. Last week the bank’s shares touched a multi-decade low, about a third lower than their post-Lehman trough, amid broad fears over asset quality and the profit-sapping effects of negative interest rates. This year one of Deutsche’s US-based

units failed the annual stress test by the US Federal Reserve for the second time in a row. The central bank found “broad and substantial weaknesses” across Deutsche’s capital-planning processes, with “insufficient progress” having been made in fixing flaws from last year’s test. In July the group organised its US units under a structure called an intermediate holding company, which – like all the IHCs of non-US banks – will be subject to a full stress test in 2017. The effectiveness, or otherwise, of its preparations, conducted in private, will start to matter in 2018 when the results are made public. Failures allow the Fed to block a US unit from sending capital back to its parent.

Banks

TIAA seeks to capture young customers in \$2.5bn deal

STEPHEN FOLEY AND ALISTAIR GRAY
NEW YORK

TIAA, the US financial services group that started life providing retirement income for teachers and academics, is stepping up its expansion into banking, with the \$2.5bn acquisition of Florida-based online lender EverBank.

The deal is aimed at capturing young customers, to whom TIAA can sell its widening range of investment and savings products over the course of their life, said Roger Ferguson, the company’s chief executive. It also short circuits TIAA’s need to build its own internet banking infrastructure, which had been a priority since it first started offering banking services four years ago. “This acquisition puts us 10 years ahead of what we would have done if we were growing organically,” Mr Ferguson said. “Banking is an intro product for young customers, they think of that as their primary financial relationship and when they start with a bank they stay with it for a long time.” TIAA traces its history to a 1918 endowment by the philanthropist Andrew Carnegie, designed to provide for teachers’ retirement, and it ploughs profits back into the business rather than paying them out to shareholders. It has grown beyond retirement products and offers what it calls a “full suite” of

Automobiles

German court clears the way for investors to sue VW

PATRICK MCGEE — FRANKFURT

A German court said yesterday that it would allow investors to sue Volkswagen using a procedure similar to class-action lawsuits seen in the US.

At least 170 private and institutional investors in Germany have sued VW for losses they allegedly suffered because the carmaker did not make proper disclosures relating to its emissions. On September 18 last year, the US Environmental Protection Agency revealed the carmaker had installed defeat devices in its vehicles. VW admitted days later it had rigged 11m cars worldwide with test-cheating software. The total volume of the German lawsuits amounts to almost €4bn, according to the regional court in Braunschweig. While Germany does not allow for class-action lawsuits, the court said it would use the German Markets Model Case Act, in which a single case will be tried and then used as a template for all similar cases. The court said it would appoint a single plaintiff to serve as a template by the end of 2016.

“It means two things,” said Nadine Herrmann, partner at Quinn Emanuel, which represents a group of institutional investors suing the carmaker. “First, all the individual cases will be stayed . . . Then, the case will continue before the appellate court as model case proceedings.” BaFin, Germany’s federal regulator, is still conducting an investigation into whether VW committed securities fraud. In June, state prosecutors initiated an investigation into former chief executive Martin Winterkorn and VW brand chief Herbert Diess, concerning allegations of market manipulation. VW reiterated yesterday that it “duly complied” with disclosure laws. In March, the company laid out a lengthy defence and called investor claims “without merit”. It said management realised only in August last year that VW cars were equipped with illegal software, but even then it believed the fine estimate would be “in a two-digit or lower three-digit million amount”. VW has since set aside about €18bn for the scandal. Last month, a US court offered preliminary approval to a \$15bn settlement in the US, in which VW will buy back or fix about half a million cars. Criminal investigations are ongoing.

Energy. Renewables



Suzlon chief seeks lift-off for green projects

Indian group wants financiers to shift approach by offering debt funding to investors

SIMON MUNDY — MUMBAI

The chairman of India’s biggest listed renewable energy company by sales has called on multilateral development institutions to support the country’s huge green power programme by offering rupee-denominated debt funding to foreign investors. Renewable energy has been a prominent part of ambitious infrastructure plans under prime minister Narendra Modi’s government, which has committed to increasing generation capacity from such sources from 43 gigawatts to 175 gigawatts by 2022. The World Bank’s International Finance Corporation and the Asian Development Bank have been funding Indian green power initiatives for several years – responding to demands that rich countries, which have contributed the bulk of carbon emissions, help cover the costs for developing nations trying to minimise the environmental impact of their growth.

But a change in approach from the institutions is needed, according to Tulsi Tanti, founder of Suzlon, a wind turbine manufacturer that returned to profit this year after six years of losses as it struggled with debt incurred to fund expansion in Europe. The multilateral institutions have focused on lending to the developers of projects but Mr Tanti is urging them to back the model championed by Suzlon, which builds completed wind power projects and sells them – typically to foreign investors. These buyers, such as UK private equity firm Actis, have funded acquisitions mostly through debt raised from Indian banks. But Mr Tanti says such investment would be boosted by long-dated debt funding from the multilateral institutions, potentially enabling India to exceed its 2022 renewable energy target by 50GW. “They have to come full throttle – 400m people are sitting in the dark,” he says. Suzlon’s business model has come under scrutiny given its recent heavy losses, and was repudiated in 2013 by its client, Morgan Stanley-backed Continuum Wind Energy. Continuum says it will build its own projects, complaining

Powering ahead: Suzlon builds completed wind power projects and sells them, a business model its founder Tulsi Tanti, below, wants financial institutions to back

Adeel Halmi/Bloomberg



‘They have to come full throttle – 400m people are sitting in the dark’
Tulsi Tanti, Suzlon founder

that turbine makers and developers such as Suzlon focus on “stuffing as many turbines into the project as possible” instead of on overall efficiency. Pierre Van Peteghem, treasurer of the ADB, defends the institution’s approach, saying it is encouraging foreign investment in Indian renewable projects through its partial financing of them, thereby reducing the perceived risks for other investors. Direct support for renewable energy developers in target countries is a more efficient use of limited capital than funding financial investors from elsewhere, he adds. But Shalabh Tandon, who leads South Asian renewable power investments for the IFC, says Mr Tanti’s suggestion merits consideration, calling the model “a legitimate way of cycling capital leading to asset creation”. The IFC has invested more than \$1bn in Indian renewable projects, while the ADB’s various commitments in the sector include a \$500m loan to Power Grid Corporation of India for green power transmission. Mr Tanti says the institutions could augment this support by expanding their use of the offshore “masala bond” market in Indian rupees, which the IFC helped to pioneer.

‘This acquisition puts us 10 years ahead of what we would have done if we were growing organically’

financial products to its 5m customers. It is also now one of the largest asset managers in the world, with \$861bn under management. Under Mr Ferguson, a former vice-chairman of the US Federal Reserve, it has made significant acquisitions, including the alternative investment manager Nuveen in 2014 and the robo-adviser MyVest earlier this year. At \$19.50 per share, TIAA is paying a 43 per cent premium to the bank’s book value, compared with an average premium of only 5 per cent for the biggest US bank deals in the past six years, according to Michael Rose, banking analyst at Raymond James. “It’s a full price for sure,” Mr Rose said. Although headquartered in Jacksonville, Florida, Everbank has a national footprint. The state accounts for only 9 per cent of its residential mortgage arm, which is its biggest lending business. The company was established in 1998 and expanded through a series of acquisitions. With only a handful of branches, it targets customers mainly online, a model it says results in lower costs and attracts wealthier savers. As of the end of last year the average deposit per household was \$105,923, which it said was more than three times its peer median. It has \$27.4bn in assets and \$18.8bn in deposits as of June 30. The sale comes four years after the bank, backed by private equity houses Sageview and TPG, launched on the stock market at \$10 a share. Small and midsize US banks are being tempted to turn to dealmaking as returns are squeezed by ultra-low interest rates and toughened regulations.

Contracts & Tenders

Invitation for Bids

THE SUPPORT TO QUALITY IMPROVEMENT OF THE VOCATIONAL TRAINING CENTERS IN INDONESIA PROJECT (LOAN NO. IND-160)

Procurement of Equipment
Peng. 02/ULP-Pokja13/PB-PHLN/VIII/2016

Ministry of Manpower of Republic of Indonesia has received financing from the Islamic Development Bank for the Support to Quality Improvement of The Vocational Training Centers in Indonesia Project (IND-160), and part of this financing will be directed towards the procurement of 5 (five) packages of equipment as indicated below.

The Project now invites sealed bids from eligible bidders for procurement, supply and delivery of the equipment. The implementation period is 8 (eight) months. Bidding will be conducted through the international competitive bidding Limited of Member Countries (ICB-MC) procedures as specified in the IsDB's Guidelines for **Procurement of Goods and Works under Islamic Development Bank Financing** (May 2009 Amended February 2012), and is open to all eligible bidders as defined in the guidelines. Prospective bidder should refer to paragraphs 1.6 and 1.7 setting forth the Bank's policy on conflict of interest.

Interested eligible bidders may obtain further information from Project Management Unit and inspect the bidding documents during office hours (10 am to 3 pm) starting August 9, 2016 until October 7, 2016 at the address given below. A complete set of post-qualification bidding documents may be obtained on the submission of a written application. A PDF version of the document is available for International Bidders and will be delivered by electronic mail.

Bids must be delivered to the address below and submitted before 10 am local time on October 10, 2016. Electronic bidding will not be permitted. Late bids will be rejected. Bids will be publicly opened in the presence of the bidders' designated representatives and anyone who choose to attend at the address below.

All bids must be accompanied by a Bid Security as appropriate for each equipment packages as follows: 1. Automotive USD.56,726; 2. Electrical, Mechatronic and Electronic USD. 226,590; 3. Manufacture and Welding USD.206,130; 4. Construction USD.20,909 and 5. Sewing and Commerce USD.24,857.-

The address (es) referred to the address below.
Equipment Procurement Committee
Project Management Unit (PMU) The Support to Quality Improvement of the Vocational Training Centers in Indonesia Project, Directorate General of Training and Productivity Development (Binalattas), Ministry of Manpower of Republic of Indonesia
Jl. Jend. Gatot Subroto Kav.51 Lantai 6A Jakarta Selatan
Phone/Fax: +62-21-52901142/ +62-21-52900925, Email: sarfas.lattas@yahoo.com

Mining

China province rolls over \$60bn of loans to lossmaking coal sector

DON WEINLAND — HONG KONG
LUCY HORNBY — BEIJING

China’s most coal-dependent province has moved to ease rising pressure on seven of its largest coal miners by extending the maturity on up to Rmb400bn (\$60bn) in loans, in a sign of the severity of the bad-debt crisis gripping the country’s coal sector.

The move by Shanxi province marks the first time a local regulator has asked banks for leeway on loans for a select group of companies. It is the latest in a series of tactics employed by the country as it tries to pare bad debt, which by some analysts’ estimates has reached epidemic levels. The central government last year launched a Rmb4tn-and-counting programme that pushed banks to swap debt from many local government businesses for longer-maturity bonds. This year, Beijing announced a controversial plan in which banks would trade corporate debt for equity in companies. Corporate debt is a concern across

China but the situation is particularly desperate in Shanxi. A four-year slowdown in coal prices has left miners in the red and private companies unable to repay high-interest-rate shadow-banking loans that date back to a boom in coal prices a decade ago. A collapse in the chain of credit in the shadow-banking sector is reverberating through the province, which accounts

‘Coal is an important industry to Shanxi, so the government has to step in to alleviate the problem’

for about a quarter of coal production in China, the world’s largest coal industry. The Shanxi branch of the China Banking Regulatory Commission will allow the province’s seven biggest coal companies to restructure short-term debt into medium and long-term loans, the state-run Xinhua news agency reported. Shares in the seven state-owned com-

panies soared yesterday – several by their 10 per cent daily trading limit – with a weekend report by respected business news magazine Caixin that Beijing was considering debt-to-equity swaps for the sector adding a tailwind. The CBRC did not immediately respond to a request for comment. The move comes after the deputy provincial government led the seven coal miners on a roadshow to Beijing this summer in an attempt to convince investors to subscribe to their bonds. One company in May offered five-year bonds at nearly double the yield on comparative notes but the initiative on the whole showed few positive results. “Coal is an important industry to Shanxi, therefore the government has to step in to alleviate the problem,” said Fitch Ratings analyst Alvin Cheng, noting that companies kept on life support worsen China’s glut of coal and other industrial capacity. At the end of last year, Shanxi’s seven largest coal groups had Rmb1.18tn in debt, almost as much as the province’s

Rmb1.28tn gross domestic product in 2015, according to Everbright Securities. Fitch estimates current combined debt stands at Rmb1.1tn, and according to Chinese media the companies have about Rmb600bn in short-term debt. “If the banks support this, they may be able to get back some of these loans. If not, then most of it will become non-performing loans,” said DBS analyst Chen Shujin. See Lex

Legal Notices

In the matter of TCHT Trading Limited and
In the matter of the Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 9th day of September 2016 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Constantinos Constantinou, of PricewaterhouseCoopers Limited, Julia House, 3 Th. Dervis Street, CY-1069 Nicosia, P.O.Box 21612, CY-1581 Nicosia, Cyprus, the joint liquidator of the said company, and if so required by notice in writing from the said joint liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 9th day of August 2016

Constantinos Constantinou
PricewaterhouseCoopers Limited
Joint Liquidator of TCHT Trading Limited

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SPEAKERS



Scott Poynton
Founder
The Forest Trust



Ruediger Geis
Head of Product
Management Trade
Commerzbank AG



Simon Paris
Joint Chair, World Trade
Board & President
Misys

MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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



| Country | Index | Latest | Previous | Country | Index | Latest | Previous | Country | Index | Latest | Previous |
|-----------|-------------------|----------|----------|----------------|----------------------|----------|----------|--------------|-------------------------|----------|----------|
| Argentina | Merval | 15414.26 | 15394.31 | Cyprus | CSE M&P Gen | 67.94 | 67.82 | Philippines | Manila Comp | 7993.58 | 7970.25 |
| Australia | All Ordinaries | 5625.70 | 5595.80 | Czech Republic | PX | 862.37 | 849.79 | Poland | Wig | 47881.59 | 47694.22 |
| | S&P/ASX 200 | 5537.80 | 5497.40 | Denmark | OMXC Copenhagen 20 | 990.99 | 996.35 | Portugal | PSI 20 | 4702.94 | 4679.97 |
| | S&P/ASX 200 Res | 3012.70 | 2987.30 | Egypt | EGX 30 | 8255.36 | 8104.57 | | PSI General | 2505.39 | 2495.83 |
| Austria | ATX | 2247.39 | 2229.89 | Estonia | OMX Tallinn | 1009.93 | 1016.42 | Russia | BEI Index | 6853.56 | 6762.01 |
| Belgium | BEL 20 | 3464.29 | 3464.22 | Finland | OMX Helsinki General | 7979.72 | 8001.14 | Russia | Mircex Index | 1950.63 | 1944.31 |
| | BEI Mid | 5925.14 | 5906.10 | France | CAC 40 | 4415.46 | 4410.55 | | RDX | 950.20 | 935.46 |
| Brazil | Bovespa | 57755.23 | 57661.14 | | S&F 120 | 3503.61 | 3500.20 | Saudi-Arabia | TADAWUL All Share Index | 6289.51 | 6246.45 |
| Canada | S&P/TSX 60 | 856.85 | 850.09 | Germany | M-DAX | 2122.41 | 2121.89 | Singapore | FTSE Straits Times | 2670.78 | 2628.17 |
| | S&P/TSX Comp | 14763.77 | 14646.77 | | TadAxDAX | 704.12 | 707.48 | Slovakia | SAX | 315.47 | 308.28 |
| | S&P/TSX Met & Min | 682.02 | 671.50 | | ROEX | 10432.36 | 10367.21 | Slovenia | SB1 TOP | 710.71 | 713.08 |
| Chile | IGPA Gen | 20428.23 | 20369.10 | Greece | Athens Gen | 560.39 | 562.76 | South Africa | FTSE/JSE All Share | 5246.65 | 5234.36 |
| China | FTSE A200 | 8160.54 | 8102.91 | | FTSE/ASE 20 | 1487.62 | 1497.04 | | FTSE/JSE Res 20 | 32220.79 | 31843.65 |
| | FTSE B35 | 9420.47 | 9381.15 | Hong Kong | Hang Seng | 22494.76 | 22146.09 | | FTSE/JSE Res 40 | 45510.65 | 45389.74 |
| | Shanghai A | 3145.01 | 3116.08 | | HS China Enterprise | 9276.56 | 9276.56 | | Nasdaq Comp | 5211.04 | 5221.12 |
| | Shanghai B | 346.13 | 344.34 | | HSCC Red Chip | 391.96 | 374.67 | | NYSE Comp | 10795.21 | 10782.87 |
| | Shanghai Comp | 304.28 | 2976.70 | Hungary | Bux | 27357.86 | 27311.45 | | S&F 500 | 2181.24 | 2182.87 |
| | Shenzhen A | 2052.51 | 2030.87 | | BSE Sensex | 28182.57 | 28078.35 | | Wilshire 5000 | 21224.32 | 21238.07 |
| | Shenzhen B | 1156.23 | 1149.47 | | S&P CNX 500 | 6627.95 | 6634.30 | | | | |
| Colombia | COLCAP | 1309.46 | 1307.98 | Indonesia | Jakarta Composite | 5458.98 | 5458.98 | | | | |
| Croatia | CROBEX | 1752.37 | 1749.83 | Ireland | ISEQ Overall | 5955.08 | 5957.90 | | | | |
| | | | | Israel | Tel Aviv 100 | 12.75 | 12.67 | | | | |

(c) Closed (U) Unavailable, 1 Correction. * Subject of 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 | | | | | EURO MARKETS | | | | | TOKYO | | | | |
|----------------------|----------|-------------|--------------|-------------|-----------------------|----------|-------------|--------------|-------------|----------------------------------|----------|-------------|--------------|-------------|
| ACTIVE STOCKS | | | | | ACTIVE STOCKS | | | | | ACTIVE STOCKS | | | | |
| Stock | traded m | close price | Day's change | Day's chng% | Stock | traded m | close price | Day's change | Day's chng% | Stock | traded m | close price | Day's change | Day's chng% |
| Bristol-myers Squibb | 18.8 | 60.36 | -2.92 | -4.83 | Hutch Holdings | 218.3 | 537.00 | 6.49 | 1.20 | Nordisk B A's | 362.4 | 44.38 | 0.00 | 0.00 |
| Aspirin | 13.3 | 107.97 | 0.49 | 0.45 | AstraZeneca | 218.0 | 5190.00 | -67.01 | -1.29 | Alliance Se Na O.n. | 271.9 | 126.45 | 0.00 | 0.00 |
| Hopla | 11.8 | 89.95 | -0.01 | -0.01 | GlaxoSmithKline | 157.3 | 1673.00 | -18.54 | -1.11 | Siemens Ag | 481.9 | 531.00 | 27.20 | 5.13 |
| Novartis | 10.3 | 246.32 | 0.00 | 0.00 | Novartis | 125.4 | 427.15 | 0.00 | 0.00 | Santander Mktl Fin. | 270.8 | 102.55 | 0.00 | 0.00 |
| Lockheed Martin | 8.8 | 260.31 | -0.02 | -0.01 | Royal Dutch Shell | 117.0 | 1998.00 | -0.73 | -0.04 | Nestle N | 241.9 | 71.71 | 0.00 | 0.00 |
| Merck & Co | 8.8 | 62.59 | -1.28 | -2.03 | Bhp Billiton | 114.2 | 1047.50 | 33.23 | 3.19 | Intesa Sanpaolo | 165.3 | 1.90 | 0.00 | 0.00 |
| Facebook | 7.3 | 124.66 | -0.49 | -0.39 | Rio Tinto | 108.6 | 2525.50 | 45.17 | 1.79 | Royal Dutch Shell | 183.9 | 22.68 | 0.14 | 0.61 |
| Oilfield America | 5.9 | 15.05 | 0.00 | 0.00 | Am Holdings | 102.2 | 165.00 | 0.00 | 0.00 | Santander | 178.5 | 3.77 | 0.00 | 0.00 |
| Netflix | 5.5 | 75.90 | -0.05 | -0.07 | Genl. Electric | 91.1 | 195.25 | 0.00 | 0.00 | Danubius Ag Na O.n. | 171.9 | 61.03 | 0.00 | 0.00 |
| Amazon.com | 5.5 | 763.51 | -2.47 | -0.32 | Barclays | 87.9 | 157.40 | 4.35 | 2.79 | Ing Group N.V. | 169.3 | 10.45 | 0.15 | 1.43 |
| BIGGEST MOVERS | | | | | BIGGEST MOVERS | | | | | BIGGEST MOVERS | | | | |
| Stock | traded m | close price | Day's change | Day's chng% | Stock | traded m | close price | Day's change | Day's chng% | Stock | traded m | close price | Day's change | Day's chng% |
| Ups | 21.71 | 1.10 | 5.31 | 480.00 | Hochschild Mining | 292.50 | 21.19 | 78.84 | 368.00 | Ups | 22.10 | 22.00 | 32.00 | 16.36 |
| Liberty Interactive | 14.53 | 0.86 | -1.70 | -194.00 | Deutsche Wohnen Ag | 28.23 | 1.12 | 4.15 | 368.00 | Pioneer | 64.40 | -4.15 | -6.05 | -14.58 |
| Cheapeake Energy | 5.11 | 0.22 | 4.50 | 2040.00 | Shawbrock | 20.10 | 11.80 | 6.21 | 52.40 | Royal Bank Holdings Co. | 18.12 | 0.47 | 2.63 | 5.61 |
| Murphy Oil | 29.05 | 1.23 | 4.42 | 360.00 | Aldeemore | 146.50 | 7.20 | 5.17 | 46.00 | Ntn | 367.00 | 36.00 | 10.98 | 30.19 |
| Apache | 51.64 | 2.00 | 4.02 | 200.00 | Meggitt | 45.90 | 20.59 | 4.97 | 24.00 | Santander Realty Development Co. | 298.50 | 22.20 | 8.00 | 36.00 |
| Downs | | | | | Downs | | | | | Downs | | | | |
| Bristol-myers Squibb | 60.36 | -2.92 | -4.81 | -7.88 | McCarthy & Stone | 171.30 | -8.51 | -4.74 | -36.00 | Comviva Holdings | 1729.00 | -110.00 | -5.98 | -0.34 |
| Patterson Companies | 46.28 | -1.70 | -3.64 | -7.85 | Hastings Holdings | 276.30 | -16.36 | -5.91 | -36.00 | Toyoobo Co. | 637.00 | -10.00 | -1.58 | -0.25 |
| Netflix | 246.71 | -7.14 | -2.81 | -1.12 | Homeserve | 596.00 | -15.50 | -2.67 | -36.00 | Royal Bank of Scotland | 184.70 | -5.40 | -2.93 | -1.58 |
| Netflix | 94.36 | -2.67 | -2.75 | -2.85 | Hikma Pharmaceuticals | 224.00 | -63.43 | -2.85 | -12.50 | Fresnillo | 1915.00 | -35.16 | -1.82 | -0.09 |
| yte | 88.76 | -2.08 | -2.29 | -2.55 | Vectura | 145.60 | -3.51 | -2.33 | -36.00 | Rolls-royce Holdings | 756.50 | -35.32 | -4.67 | -6.14 |
| | | | | | | | | | | | | | | |

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

CURRENCIES

| DOLLAR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | EURO | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | POUND | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Aug 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Aug 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Aug 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Currency | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Currency | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Currency | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's | Aug 8 | Closing | Day's |

MANAGED FUNDS SERVICE

| Bid | Offer | D+/- | Yield | Fund | Bid | Offer | D+/- | Yield | Fund | Bid | Offer | D+/- | Yield | Fund | Bid | Offer | D+/- | Yield | Fund | | | | | |
|---|------------|------|--------|------|-----|-------|------|-------|------|-----|-------|------|-------|------|-----|-------|------|-------|------|--|------------|---|---------|------|
| ACPI Global UCITS Funds Plc (IRL) <small>www.aspihard.com</small> | | | | | | | | | | | | | | | | | | | | | | | | |
| ACPI Emerging Mkts R UCITS Fund USD A | \$ 120.11 | - | 0.51 | 0.00 | | | | | | | | | | | | | | | | ACPI Global Credit UCITS Funds USD A | \$ 14.73 | - | 0.02 | 0.00 |
| ACPI Global Fixed Income UCITS Fund USD A | \$ 158.72 | - | -0.09 | 0.00 | | | | | | | | | | | | | | | | ACPI Global Fixed Income UCITS Fund USD A | \$ 158.72 | - | -0.09 | 0.00 |
| 0 ACPI India Fixed Income UCITS Fund USD A | \$ 10.58 | - | 0.04 | 0.00 | | | | | | | | | | | | | | | | ACPI India Fixed Income UCITS Fund USD A3 | \$ 90.30 | - | 0.30 | 0.00 |
| ACPI International Bond UCITS Fund USD A | \$ 18.72 | - | -0.05 | 0.00 | | | | | | | | | | | | | | | | ACPI International Bond UCITS Fund USD A | \$ 18.72 | - | -0.05 | 0.00 |
| Bank of America Cap Mgmt (Ireland) Ltd (IRL) Regulated | | | | | | | | | | | | | | | | | | | | | | | | |
| Global Liquidity USD | \$ 1.00 | - | 0.00 | 0.61 | | | | | | | | | | | | | | | | Sterling Bond F | £ 0.51 | - | 0.01 | 2.96 |
| Barclays Investment Funds (CI) Ltd (JER) <small>39/41 Broad Street, St Helier, Jersey, JE2 3PR Channel Islands 01534 812800</small> FCA Recognised Bond Funds | | | | | | | | | | | | | | | | | | | | | | | | |
| BlackRock UK Property | £ 41.10 | - | -0.98 | 3.41 | | | | | | | | | | | | | | | | BlackRock UK Long Lease | £ 1077.05 | - | -1.88 | 0.00 |
| BLK Intl Gold & General | \$ 7.72 | 8.14 | -0.28 | 0.00 | | | | | | | | | | | | | | | | ACPI Horizon UCITS Fund | \$ 13.16 | - | 0.07 | 0.00 |
| ACPI Select UCITS Funds PLC (IRL) Regulated | | | | | | | | | | | | | | | | | | | | | | | | |
| ACPI Balanced UCITS Fund USD Retail | \$ 14.47 | - | 0.05 | 0.00 | | | | | | | | | | | | | | | | ACPI Balanced UCITS Fund EUR Retail | € 10.81 | - | 0.03 | 0.00 |
| ACPI Balanced UCITS Fund GBP Retail | € 10.98 | - | 0.04 | 0.00 | | | | | | | | | | | | | | | | ACPI Balanced UCITS Fund USD Institutional | \$ 10.00 | - | - | - |
| ACPI Balanced UCITS Fund EUR Institutional | € 10.00 | - | - | - | | | | | | | | | | | | | | | | ACPI Balanced UCITS Fund GBP Institutional | € 10.00 | - | - | - |
| ACPI Horizon UCITS Fund | \$ 13.16 | - | 0.07 | 0.00 | | | | | | | | | | | | | | | | | | | | |
| Algebris Investments (IRL) Regulated | | | | | | | | | | | | | | | | | | | | | | | | |
| Algebris Financial Credit Fund - Class EUR | € 137.52 | - | 0.46 | 0.00 | | | | | | | | | | | | | | | | Algebris Financial Income Fund - Class EUR | € 112.57 | - | 2.07 | 0.00 |
| Algebris Financial Equity Fund - Class B EUR | € 88.02 | - | 3.18 | 0.00 | | | | | | | | | | | | | | | | Algebris Asset Allocation Fund - Class B EUR | € 97.25 | - | 0.87 | 0.00 |
| Amundi Funds (LUX) <small>5 Allée Scheffler L-2520 Luxembourg + 44 (0)20 7074 9332 www.amundi-funds.com</small> FCA Recognised | | | | | | | | | | | | | | | | | | | | | | | | |
| Bd. Euro Corporate AE Class - R - EUR | € 19.41 | - | 0.01 | 0.00 | | | | | | | | | | | | | | | | Bd. Global AU Class - R - USD | \$ 27.65 | - | -0.04 | 0.00 |
| Eq. Emerging Europe AE Class - R - EUR | € 26.83 | - | -0.24 | 0.00 | | | | | | | | | | | | | | | | Eq. Emerging World AU Class - R - USD | € 88.62 | - | 0.85 | 0.00 |
| Eq. Greater China AU Class - R - USD | \$ 580.76 | - | 8.25 | 0.00 | | | | | | | | | | | | | | | | Eq. Latin America AU Class - R - USD | \$ 384.81 | - | 2.22 | - |
| GI. Macro Bds & Curr Low Vol AHG - GBP | € 98.89 | - | 0.11 | 0.00 | | | | | | | | | | | | | | | | | | | | |
| The Antares European Fund Limited (UK) Other International | | | | | | | | | | | | | | | | | | | | | | | | |
| AEF Ltd Usd (Est) | \$ 582.90 | - | -2.93 | - | | | | | | | | | | | | | | | | AEF Ltd Eur (Est) | \$ 584.23 | - | -3.04 | 0.00 |
| Arisaig Partners (UK) Other International Funds | | | | | | | | | | | | | | | | | | | | | | | | |
| Arisaig Africa Consumer Fund Limited | € 12.51 | - | 0.01 | - | | | | | | | | | | | | | | | | Arisaig Asia Consumer Fund Limited | € 66.54 | - | 0.13 | 0.00 |
| Arisaig Global Emerging Markets Consumer Fund | € 10.38 | - | 0.01 | 0.00 | | | | | | | | | | | | | | | | Arisaig Global Emerging Markets Consumer UCITS | € 12.12 | - | 0.08 | 0.00 |
| Arisaig Latin America Consumer UCITS | € 13.00 | - | 0.07 | 0.00 | | | | | | | | | | | | | | | | Arisaig Latin America Consumer Fund | € 24.70 | - | 0.27 | 0.00 |
| Artisan Partners Global Funds PLC (IRL) <small>Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland Tel: 44 (0) 207 766 7130</small> FCA Recognised Artisan Partners Global Funds plc | | | | | | | | | | | | | | | | | | | | | | | | |
| Artisan Global Equity Fund Class I USD Acc | \$ 14.85 | - | -0.03 | 0.00 | | | | | | | | | | | | | | | | Artisan Global Opportunities I USD Acc | \$ 13.27 | - | 0.05 | 0.00 |
| Artisan Global Value Fund Class I USD Acc | \$ 16.49 | - | 0.14 | 0.00 | | | | | | | | | | | | | | | | Artisan US Value Equity Fund Class I USD Acc | \$ 12.15 | - | 0.07 | 0.00 |
| Artisan Global Opportunities Class I EUR Acc | € 17.99 | - | 0.14 | 0.00 | | | | | | | | | | | | | | | | | | | | |
| Ashmore Sicaav (LUX) <small>2 rue Albert Borschette L-1246 Luxembourg</small> FCA Recognised | | | | | | | | | | | | | | | | | | | | | | | | |
| Ashmore SICAV Emerging Market Debt Fund | \$ 100.25 | - | 0.38 | - | | | | | | | | | | | | | | | | Ashmore SICAV Emerging Market Frontier Equity Fund | \$ 147.88 | - | 0.53 | 1.12 |
| Ashmore SICAV Emerging Market Asian Region Fund | \$ 96.81 | - | 0.27 | 6.31 | | | | | | | | | | | | | | | | Ashmore SICAV Global Small Cap Equity Fund | \$ 134.62 | - | 0.76 | 0.00 |
| EM Mkts Corp Debt USD F | \$ 89.77 | - | 0.24 | 8.12 | | | | | | | | | | | | | | | | EM Mkts Ldc Ccy Bd USD F | \$ 83.84 | - | 0.30 | 3.79 |
| aspect capital | | | | | | | | | | | | | | | | | | | | | | | | |
| Aspect Capital Ltd (UK) (UK) Other International Funds | | | | | | | | | | | | | | | | | | | | | | | | |
| Aspect Diversified USD | \$ 419.07 | - | -6.89 | 0.00 | | | | | | | | | | | | | | | | Aspect Diversified EUR | € 250.40 | - | -4.14 | 0.00 |
| Aspect Diversified GBP | £ 129.94 | - | -2.14 | 0.00 | | | | | | | | | | | | | | | | Aspect Diversified CHF | Sfr 118.96 | - | -2.00 | 0.00 |
| Aspect Diversified Trends USD | \$ 124.40 | - | -2.27 | 0.00 | | | | | | | | | | | | | | | | Aspect Diversified Trends EUR | € 123.83 | - | -2.29 | 0.00 |
| Aspect Diversified Trends GBP | £ 129.94 | - | -2.39 | 0.00 | | | | | | | | | | | | | | | | | | | | |
| Aspect Capital Ltd (UK) (UK) Regulated | | | | | | | | | | | | | | | | | | | | | | | | |
| European Real Estate Securities | € 23.372 | - | 0.2417 | 1.71 | | | | | | | | | | | | | | | | Europ RealEstate Sec. IX | € 31.851 | - | 0.0325 | 0.00 |
| Gbl Listed Infrastructure I | \$ 10.9081 | - | -0.028 | - | | | | | | | | | | | | | | | | Gbl Listed Infrastructure IX | \$ 11.0357 | - | -0.0291 | - |
| Gbl RealEstate Sec. I | \$ 11.7319 | - | -0.052 | 1.85 | | | | | | | | | | | | | | | | Gbl RealEstate Sec. IX | \$ 14.1523 | - | 0.039 | 0.00 |
| Cohen & Steers SICAV (LUX) Regulated | | | | | | | | | | | | | | | | | | | | | | | | |
| European Real Estate Securities | € 23.372 | - | 0.2417 | 1.71 | | | | | | | | | | | | | | | | European Real Estate Securities | € 23.372 | - | 0.2417 | 1.71 |
| Europ RealEstate Sec. IX | € 31.851 | - | 0.0325 | 0.00 | | | | | | | | | | | | | | | | European Opportunities I EUR | € 2.24 | - | 0.03 | 1.63 |
| European Opportunities I GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | European Opportunities I USD | \$ 1.18 | - | 0.02 | 0.88 |
| European Opportunities I USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | European Opportunities I GBP | £ 1.88 | - | 0.02 | 1.59 |
| European Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | European Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities I USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities I GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities I GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 | | | | | | | | | | | | | | | | Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 |
| Global Opportunities A USD | \$ 1.18 | - | 0.02 | 0.88 | | | | | | | | | | | | | | | | Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 |
| Global Opportunities A GBP | £ 1.88 | - | 0.02 | 1.59 | | | | | | | | | | | | | | | | Global Opportunities A EUR | € 2.19 | - | 0.03 | 1.05 |
| Global Opportunities A EUR | | | | | | | | | | | | | | | | | | | | | | | | |

MANAGED FUNDS SERVICE

| Fund | Bid | Offer | D+/- | Yield |
|---|-----------|-------|------|-------|
| Morgens Waterfall Vintiadis.co Inc | | | | |
| Other International Funds | | | | |
| Phaeton Intl (BVI) Ltd (Est) | \$ 368.28 | - | 1.39 | 0.00 |



Natixis International Funds (Lux) | SICAV (LUX)
Canon Bridge House, 75 Doughty Hill, London, EC4R 2YA +44 (0)20 3216 9000
FCA Recognised

| | | | | |
|--------------------------------|-----------|--------|------|------|
| Harris Global Equity R/A (USD) | \$ 239.51 | 239.51 | 3.13 | 0.00 |
|--------------------------------|-----------|--------|------|------|

| | | | | |
|---------------------------------|-----------|--------|------|---|
| Harris US Equity Fund R/A (USD) | \$ 217.35 | 217.35 | 2.87 | - |
|---------------------------------|-----------|--------|------|---|

| | | | | |
|---|-----------|--------|------|------|
| Harris Concentrated US Equity R/A (USD) | \$ 164.54 | 164.54 | 2.36 | 0.00 |
|---|-----------|--------|------|------|

| | | | | |
|--|-----------|--------|------|------|
| Loans Sayles Strategic Alpha R/A (USD) | \$ 112.72 | 112.72 | 0.21 | 0.00 |
|--|-----------|--------|------|------|

Natixis International Funds (Dublin) | plc (IRL)
Canon Bridge House, 75 Doughty Hill, London, EC4R 2YA +44 (0)20 3216 9000
Regulated

| | | | | |
|--|----------|-------|-------|------|
| Loans Sayles Global Opportunities Bond R/D (USD) | \$ 13.31 | 13.31 | -0.05 | 1.27 |
|--|----------|-------|-------|------|

| | | | | |
|---|---------|------|------|---|
| Loans Sayles High Income Bond R/D (USD) | \$ 8.60 | 8.60 | 0.04 | - |
|---|---------|------|------|---|

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|---|----------|-------|-------|------|
| Loans Sayles Multisector Income R/D (GBP) | \$ 12.50 | 12.50 | -0.03 | 5.43 |
|---|----------|-------|-------|------|



New Capital Fund Management Ltd (IRL)
Leconfield House, Curzon Street, London, W1J 5JB
FCA Recognised

| | | | | |
|--------------------------------|--|--|--|--|
| New Capital UCITS Funds | | | | |
|--------------------------------|--|--|--|--|

| | | | | |
|--------------------------|----------|---|------|------|
| Asia Pac Bd USD Inst Inc | \$ 96.15 | - | 0.25 | 3.28 |
|--------------------------|----------|---|------|------|

| | | | | |
|-------------------------|----------|---|------|------|
| Asia Pac Bd USD Ord Inc | \$ 98.22 | - | 0.25 | 2.60 |
|-------------------------|----------|---|------|------|

| | | | | |
|-------------------------|---------|---|------|------|
| Asia Pac Eq EUR Ord Inc | € 91.07 | - | 0.78 | 2.76 |
|-------------------------|---------|---|------|------|

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|-------------------------|---------|---|------|------|
| Asia Pac Eq GBP Ord Inc | € 94.30 | - | 0.81 | 3.40 |
|-------------------------|---------|---|------|------|

| | | | | |
|-------------------------|----------|---|------|------|
| Asia Pac Eq USD Ord Inc | \$ 96.07 | - | 0.82 | 2.72 |
|-------------------------|----------|---|------|------|

| | | | | |
|--------------------------|-----------|---|------|------|
| Asia Pac Eq USD Inst Acc | \$ 105.58 | - | 0.91 | 0.00 |
|--------------------------|-----------|---|------|------|

| | | | | |
|--------------------------|-----------|---|------|------|
| Asia Pac Eq USD Inst Inc | \$ 107.13 | - | 0.92 | 3.29 |
|--------------------------|-----------|---|------|------|

| | | | | |
|--------------------------|----------|---|------|------|
| Dyn Europ Eq EUR Ord Inc | € 165.94 | - | 1.57 | 1.09 |
|--------------------------|----------|---|------|------|

| | | | | |
|--------------------------|----------|---|------|------|
| Dyn Europ Eq GBP Ord Inc | € 174.45 | - | 1.66 | 1.58 |
|--------------------------|----------|---|------|------|

| | | | | |
|--------------------------|-----------|---|------|------|
| Dyn Europ Eq USD Ord Inc | \$ 166.66 | - | 1.57 | 1.03 |
|--------------------------|-----------|---|------|------|

| | | | | |
|--------------------------|----------|---|------|------|
| China Equity EUR Ord Acc | € 124.90 | - | 1.80 | 0.00 |
|--------------------------|----------|---|------|------|

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|--------------------------|----------|---|------|------|
| China Equity GBP Ord Acc | € 130.59 | - | 1.89 | 0.00 |
|--------------------------|----------|---|------|------|

| | | | | |
|--------------------------|-----------|---|------|------|
| China Equity USD Ord Acc | \$ 128.08 | - | 1.83 | 0.00 |
|--------------------------|-----------|---|------|------|

| | | | | |
|---------------------------|-----------|---|------|------|
| China Equity USD Inst Acc | \$ 132.39 | - | 1.90 | 0.00 |
|---------------------------|-----------|---|------|------|

| | | | | |
|----------------------|----------|---|------|---|
| Europ. Equity Fd EUR | € 100.37 | - | 0.95 | - |
|----------------------|----------|---|------|---|

| | | | | |
|----------------------|---------|---|------|---|
| Europ. Equity Fd GBP | € 98.16 | - | 0.93 | - |
|----------------------|---------|---|------|---|

| | | | | |
|----------------------|---------|---|------|---|
| Europ. Equity Fd USD | € 99.71 | - | 0.94 | - |
|----------------------|---------|---|------|---|

| | | | | |
|------------------------------|----------|---|------|------|
| Global Val Cr Fd GBP Ord Inc | € 112.58 | - | 0.63 | 3.61 |
|------------------------------|----------|---|------|------|

| | | | | |
|-------------------------------|-----------|---|------|------|
| Global Val Cr Fd USD Inst Acc | \$ 129.40 | - | 0.72 | 0.00 |
|-------------------------------|-----------|---|------|------|

| | | | | |
|------------------------------|----------|---|-------|------|
| Global Val Cr Fd GBP Ord Acc | € 184.94 | - | -0.01 | 0.00 |
|------------------------------|----------|---|-------|------|

| | | | | |
|------------------------------|-----------|---|------|------|
| Global Val Cr Fd USD Ord Acc | \$ 174.62 | - | 0.97 | 0.00 |
|------------------------------|-----------|---|------|------|

| | | | | |
|------------------------------|----------|---|-------|------|
| Global Val Cr Fd EUR Ord Acc | € 160.44 | - | -0.03 | 0.00 |
|------------------------------|----------|---|-------|------|

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|------------------------------|------------|---|------|------|
| Swiss Select Equity Inst Acc | Sfr 120.60 | - | 1.34 | 0.00 |
|------------------------------|------------|---|------|------|

| | | | | |
|-----------------------------|------------|---|------|------|
| Swiss Select Equity Ord Acc | Sfr 118.74 | - | 1.33 | 0.00 |
|-----------------------------|------------|---|------|------|

| | | | | |
|-----------------------|-----------|---|------|------|
| US Growth USD Ord Acc | \$ 206.49 | - | 1.46 | 0.00 |
|-----------------------|-----------|---|------|------|

| | | | | |
|-----------------------|----------|---|------|------|
| US Growth EUR Ord Acc | € 195.86 | - | 1.42 | 0.00 |
|-----------------------|----------|---|------|------|

| | | | | |
|-----------------------|----------|---|------|------|
| US Growth GBP Ord Acc | £ 206.27 | - | 1.48 | 0.00 |
|-----------------------|----------|---|------|------|

| | | | | |
|------------------------|-----------|---|------|------|
| US Growth USD Inst Acc | \$ 191.66 | - | 1.36 | 0.00 |
|------------------------|-----------|---|------|------|

| | | | | |
|-----------------------------|----------|---|------|------|
| Wealthy Nat Bd EUR Inst Inc | € 114.35 | - | 0.58 | 3.28 |
|-----------------------------|----------|---|------|------|

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|-----------------------------|----------|---|------|------|
| Wealthy Nat Bd GBP Inst Inc | € 119.31 | - | 0.61 | 3.41 |
|-----------------------------|----------|---|------|------|

| | | | | |
|----------------------------|----------|---|------|------|
| Wealthy Nat Bd EUR Ord Inc | € 113.65 | - | 0.58 | 3.01 |
|----------------------------|----------|---|------|------|

| | | | | |
|----------------------------|----------|---|------|------|
| Wealthy Nat Bd GBP Ord Inc | € 120.13 | - | 0.61 | 3.16 |
|----------------------------|----------|---|------|------|

| | | | | |
|-----------------------------|-----------|---|------|------|
| Wealthy Nat Bd USD Inst Inc | \$ 117.46 | - | 0.59 | 2.97 |
|-----------------------------|-----------|---|------|------|

New Capital Alternative Strategies

| | | | | |
|------------------------|-----------|---|-------|------|
| All Weather Fd USD CIs | \$ 114.06 | - | -1.24 | 0.00 |
| All Weather Fd EUR CIs | € 101.95 | - | -1.24 | 0.00 |
| All Weather Fd GBP CIs | £ 110.01 | - | -1.27 | 0.00 |
| Tactical Opps USD CIs | \$ 140.30 | - | 2.12 | 0.00 |
| Tactical Opps EUR CIs | € 117.11 | - | 1.70 | 0.00 |
| Tactical Opps GBP CIs | £ 131.17 | - | 1.94 | 0.00 |



Northwest Investment Management (HK) Ltd
116 Floor, Kowick Centre, 32, Hollywood Road, Central Hong Kong +852 3984 0373
Other International Funds

| | | | | |
|-------------------|------------|---|-------|------|
| Northwest S class | \$ 2328.27 | - | 87.41 | 0.00 |
|-------------------|------------|---|-------|------|



Oasis Crescent Management Company Ltd
Other International Funds

| | | | | |
|----------------------------|---------|---|------|------|
| Oasis Crescent Equity Fund | R 10.03 | - | 0.00 | 0.00 |
|----------------------------|---------|---|------|------|

Oasis Global Mgmt Co (Ireland) Ltd
Regulated

| | | | | |
|--|--|--|--|--|
| Oasis Global Investment (Ireland) Ptc | | | | |
|--|--|--|--|--|

| | | | | |
|--|---------|---|------|------|
| Oasis Crescent Global Short Term Income Fund | \$ 0.99 | - | 0.00 | 1.14 |
|--|---------|---|------|------|

| Fund | Bid | Offer | D+/- | Yield |
|--|----------|-------|-------|-------|
| Oasis Global Equity | \$ 28.04 | - | 0.26 | 0.33 |
| Oasis Crescent Global Investment Fund (Ireland) plc | | | | |
| Oasis Crescent Global Equity Fund | \$ 28.93 | - | 0.27 | 0.11 |
| Oasis Crescent Variable Balanced Fund | £ 10.64 | - | 0.08 | 1.39 |
| OasisCresG Income Class A | \$ 10.79 | - | 0.00 | 2.52 |
| OasisCresG Lowbal D (S) Dist | \$ 12.01 | - | 0.05 | 0.00 |
| OasisCresG Med Eq Bal A (S) Dist | \$ 12.27 | - | 0.06 | 0.60 |
| Oasis Crescent Gbl Property Eqty | \$ 10.03 | - | -0.03 | 1.60 |



Odey Asset Management LLP
Regulated

| | | | | |
|-------------------|----------|---|------|------|
| OEI Mac Inc GBP A | £ 256.20 | - | 2.83 | 0.00 |
|-------------------|----------|---|------|------|

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|-------------------|----------|---|------|------|
| OEI Mac Inc GBP B | £ 152.16 | - | 2.22 | 0.00 |
|-------------------|----------|---|------|------|

| | | | | |
|-----------------|------------|---|-------|------|
| OEI MAC Inc USD | \$ 1342.71 | - | 14.85 | 0.00 |
|-----------------|------------|---|-------|------|

| | | | | |
|-----------------------|----------|---|------|------|
| Odey European Inc EUR | € 582.63 | - | 6.55 | 0.00 |
|-----------------------|----------|---|------|------|

| | | | | |
|-------------------------|----------|---|------|------|
| Odey European Inc GBP A | £ 233.60 | - | 2.72 | 0.00 |
|-------------------------|----------|---|------|------|

| | | | | |
|-------------------------|----------|---|------|------|
| Odey European Inc GBP B | £ 122.52 | - | 1.54 | 0.00 |
|-------------------------|----------|---|------|------|

| | | | | |
|-----------------------|-----------|---|------|------|
| Odey European Inc USD | \$ 275.18 | - | 3.22 | 0.00 |
|-----------------------|-----------|---|------|------|

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|-----------------------|----------|---|------|------|
| Giano Capital EUR Inc | € 438.20 | - | 4.97 | 0.00 |
|-----------------------|----------|---|------|------|

Odey Asset Management LLP
FCA Recognised

| | | | | |
|-------------------------|----------|---|------|---|
| Odey Pan European EUR R | € 291.38 | - | 1.07 | - |
|-------------------------|----------|---|------|---|

| | | | | |
|---------------------------------|----------|---|-------|---|
| Odey Absolute Return Focus Fund | \$ 95.67 | - | -1.76 | - |
|---------------------------------|----------|---|-------|---|

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|-----------------------------|----------|---|------|------|
| Odey Allegra European EUR O | € 253.95 | - | 1.77 | 0.00 |
|-----------------------------|----------|---|------|------|

| | | | | |
|----------------------------------|----------|---|------|------|
| Odey Allegra International EUR O | € 157.20 | - | 0.44 | 0.00 |
|----------------------------------|----------|---|------|------|

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|--------------------------------------|-----------|---|------|------|
| Odey Allegra Developed Markets USD I | \$ 132.28 | - | 1.26 | 0.00 |
|--------------------------------------|-----------|---|------|------|

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|--------------------------|---------|---|------|------|
| Odey European Focus Fund | € 16.65 | - | 0.08 | 0.00 |
|--------------------------|---------|---|------|------|

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|--------------------------------|----------|---|-------|------|
| Odey Giano European Fund EUR R | € 113.60 | - | -0.94 | 0.00 |
|--------------------------------|----------|---|-------|------|

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|------------------------|----------|---|-------|------|
| Odey Navier Fund EUR I | € 114.60 | - | -0.26 | 0.00 |
|------------------------|----------|---|-------|------|

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|--------------------|-----------|---|-------|------|
| Odey Odaysey USD I | \$ 123.30 | - | -1.66 | 0.00 |
|--------------------|-----------|---|-------|------|

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|----------------------|---------|---|-------|------|
| Odey Swan Fund EUR I | € 67.15 | - | -1.89 | 0.00 |
|----------------------|---------|---|-------|------|

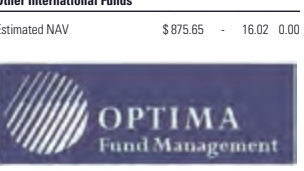
| | | | | |
|-------------------------------------|---------|---|-------|------|
| Odey European Absolute Return GBP S | € 92.04 | - | -0.40 | 0.00 |
|-------------------------------------|---------|---|-------|------|

Odey Wealth Management (CI) Ltd (IRL)
www.odey.com/ir/pries
FCA Recognised

| | | | | |
|------------------------|----------|---|------|------|
| Odey Opportunity EUR I | € 218.75 | - | 0.54 | 0.00 |
|------------------------|----------|---|------|------|

Omnia Fund Ltd
Other International Funds

| | | | | |
|---------------|-----------|---|-------|------|
| Estimated NAV | \$ 875.65 | - | 16.02 | 0.00 |
|---------------|-----------|---|-------|------|



Optima Fund Management
Other International Funds

| | | | | |
|--------------------------|------------|---|------|------|
| Cuthyunk Fund II Limited | \$ 1384.32 | - | 6.49 | 0.00 |
|--------------------------|------------|---|------|------|

| | | | | |
|----------------------------------|----------|---|------|------|
| JENOP Global Healthcare Fund Ltd | \$ 12.31 | - | 0.04 | 0.00 |
|----------------------------------|----------|---|------|------|

| | | | | |
|----------------------------|----------|---|------|------|
| OPTIKA Fund Limited - CI A | \$ 93.05 | - | 1.42 | 0.00 |
|----------------------------|----------|---|------|------|

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|---------------------|----------|---|------|------|
| Optima Fd NAV (Est) | \$ 84.30 | - | 0.07 | 0.00 |
|---------------------|----------|---|------|------|

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|---|----------|---|-------|------|
| Optima Discretionary Macro Fund Limited | \$ 84.94 | - | -0.23 | 0.00 |
|---|----------|---|-------|------|

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|------------------------------------|----------|---|-------|------|
| The Dorset Energy Fd Ltd NAV (Est) | \$ 33.58 | - | -0.06 | 0.00 |
|------------------------------------|----------|---|-------|------|

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|---------------------------|---------|---|------|------|
| Pictet-Fund Ltd Ltd (Est) | € 84.92 | - | 0.65 | 0.00 |
|---------------------------|---------|---|------|------|

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|---------------------------|---------|---|------|------|
| Platinum Fd Ltd EUR (Est) | € 16.26 | - | 0.10 | 0.00 |
|---------------------------|---------|---|------|------|

| | | | | |
|----------------------------------|----------|---|------|------|
| JENOP Global Healthcare Fund Ltd | \$ 12.31 | - | 0.04 | 0.00 |
|----------------------------------|----------|---|------|------|

| | | | | |
|---------------------------|----------|---|------|------|
| Optima Partners Global Fd | \$ 13.80 | - | 0.06 | 0.00 |
|---------------------------|----------|---|------|------|

| | | | | |
|------------------------------|----------|---|-------|------|
| Optima Partners Focus Fund A | \$ 14.84 | - | -0.02 | 0.00 |
|------------------------------|----------|---|-------|------|

Oryx International Growth Fund Ltd
Other International Funds

| | | | | |
|-------------------|--------|---|-------|------|
| NAV Fully Diluted | £ 6.92 | - | -0.25 | 0.00 |
|-------------------|--------|---|-------|------|



Pictet Asset Management (Europe) SA (LUX)
15, Avenue J.F. Kennedy L-1855 Luxembourg
Tel: 0041 58 323 3000
FCA Recognised

| | | | | |
|--------------------------------|----------|---|-------|------|
| Pictet-Abal Rtn Fnc Inc-HI EUR | € 108.58 | - | -0.08 | 0.00 |
|--------------------------------|----------|---|-------|------|

| | | | | |
|----------------------------|----------|---|------|------|
| Pictet-Agriculture I EUR F | € 187.59 | - | 1.84 | 0.00 |
|----------------------------|----------|---|------|------|

| | | | | |
|--|-----------|---|------|------|
| Pictet-Asian Equities Ex Japan I USD F | \$ 224.15 | - | 2.32 | 0.00 |
|--|-----------|---|------|------|

| | | | | |
|--|-----------|---|-------|---|
| Pictet-Asian Local Currency Debt I USD F | \$ 165.44 | - | -0.40 | - |
|--|-----------|---|-------|---|

| | | | | |
|------------------------|-----------|---|------|------|
| Pictet-Biotech I USD F | \$ 729.00 | - | 1.15 | 0.00 |
|------------------------|-----------|---|------|------|

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|------------------------|------------|---|------|------|
| Pictet-CHF Bonds I CHF | Sfr 514.20 | - | 0.13 | 0.00 |
|------------------------|------------|---|------|------|

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|--------------------------|-----------|---|------|------|
| Pictet-China Index I USD | \$ 104.49 | - | 1.35 | 0.00 |
|--------------------------|-----------|---|------|------|

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|-----------------------------|----------|---|------|------|
| Pictet-Clean Energy I USD F | \$ 79.55 | - | 0.53 | 0.00 |
|-----------------------------|----------|---|------|------|

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|--------------------------------------|-----------|---|------|------|
| Pictet-Digital Communication I USD F | \$ 289.94 | - | 2.74 | 0.00 |
|--------------------------------------|-----------|---|------|------|

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|-------------------------------|-----------|---|------|------|
| Pictet-Em Lcl Coy Dtr-I USD F | \$ 172.53 | - | 0.45 | 0.00 |
|-------------------------------|-----------|---|------|------|

| | | | | |
|--------------------------------|----------|---|------|------|
| Pictet-Emerging Europe I EUR F | € 293.41 | - | 3.68 | 0.00 |
|--------------------------------|----------|---|------|------|

| | | | | |
|---------------------------------|-----------|---|------|------|
| Pictet-Emerging Markets I USD F | \$ 534.18 | - | 4.11 | 0.00 |
|---------------------------------|-----------|---|------|------|

| | | | | |
|---------------------------------------|-----------|---|------|------|
| Pictet-Emerging Markets Index I USD F | \$ 233.29 | - | 2.52 | 0.00 |
|---------------------------------------|-----------|---|------|------|

| | | | | |
|---------------------------------------|-----------|---|------|------|
| Pictet-Emerging Corporate Bonds I USD | \$ 116.32 | - | 0.08 | 0.00 |
|---------------------------------------|-----------|---|------|------|

| | | | | |
|---|-----------|---|------|------|
| Pictet-Emerging Markets High Dividend I USD | \$ 103.93 | - | 0.78 | 0.00 |
|---|-----------|---|------|------|

| | | | | |
|---------------------------------------|----------|---|------|------|
| Pictet-Emerging Markets Sust Eq I USD | \$ 93.76 | - | 1.08 | 0.00 |
|---------------------------------------|----------|---|------|------|

| | | | | |
|----------------------|----------|---|-------|---|
| Pictet-EUR Bonds I F | € 562.59 | - | -0.37 | - |
|----------------------|----------|---|-------|---|

| Fund | Bid | Offer | D+/- | Yield |
|---|----------|-------|-------|-------|
| Pictet-EUR Corporate Bonds Ex Fin i EUR | € 151.91 | - | -0.08 | 0.00 |
| Pictet-EUR Corporate Bonds-I F | € 210.02 | - | -0.61 | 0.00 |
| Pictet-EUR Government Bonds I EUR | € 167.87 | - | -0.23 | 0.00 |

MARKETS & INVESTING

INSIGHT

Diego Parrilla



Monetary policy is cooking up a perfect storm for gold bugs

Gold prices have rallied more than 30 per cent since the lift-off in US interest rates in December. A sharp reversal in pricing, sentiment and positioning driven by myriad factors has left gold bears and bulls as polarised as ever.

The bearish camp, with analysts such as those at Goldman Sachs, tends to have a constructive view on the US dollar and the ability to raise interest rates and normalise global monetary policy, and generally a benign view on the global economy and inflationary risks.

In the bullish camp, to which I subscribe, the view tends to be more pessimistic on the global economy and the unintended consequences of monetary policy without limits. It sees the recent price action as the beginning of a multiyear bull run in gold.

My view — that there is a perfect storm for gold — is based on three closely interrelated dynamics.

The first is the limits of monetary policy. In response to the Lehman crisis and to combat the threat of deflation, central banks have deployed a wide range of unconventional monetary policies. Quantitative easing and negative interest rates have been game changers — distorting the valuation of government bonds, breaking the theoretical ceiling in prices, squeezing shorts and underweight positions, and feeding what, in my view, is one of the largest financial bubbles in history.

At the epicentre of the problem are the central banks. Investors and savers around the world, faced with extraordinarily low and even negative yields in cash and fixed income, have been incentivised — if not forced — to lengthen the duration in their portfolios, increasing the risk of capital losses, liquidity and volatility beyond what they might intend or be able to tolerate.

Second, examine the edges of credit markets. The bubble in government bonds and duration has driven risk-taking across equity and credit markets, and lending to weaker and weaker credits, often ignoring or underplaying the risk of capital losses, liquidity and volatility. It's a bull market that feeds on itself and benefits the weakest players most, such as emerging markets or high yield.

In a world with limited investment opportunities, excessive risk-taking can lead to speculation and, of course, bubbles. The damage is done but can get worse, especially if countries such as China respond to future crises with more aggressive credit expansions, as it did this year.

The current path of monetary and credit expansion is unsustainable and will eventually burst, leaving investors struggling for the return of their capital, instead of return on their capital — an extremely bullish scenario for gold and other real assets.

Third, the limits of fiat currencies are being tested. Unlike in the global financial crisis of 2008, this time there won't be any monetary bullets left. Interest rates are already at record lows, asset purchases suffer from the law of diminishing returns, and competitive currency devaluations only increase underlying problems and global imbalances. A dangerous slippery slope that paper cures miss is that they "eventually converge to their intrinsic value: paper", as Voltaire warned.

Over the past few years we have witnessed the first stage of Gresham's law, whereby "bad money displaces good money", and we are at the early stages of the second and final phase, whereby "good money displaces bad money".

Gold and the dollar are best placed to play the role of good money, which could result in a substantial appreciation against the bad-money currencies. But the inability or unwillingness of the US to normalise its monetary policy leaves the door wide open for gold to retake its reserve currency status and put an end to the monetary supercycle that started in 1971 with the end of Bretton Woods. It is a period in which the outstanding volume of paper money has grown disproportionately to the amount of gold that once backed it.

Time will tell if central banks and governments will be able to engineer a smooth solution to the challenges ahead, or if the remedy will be worse than the disease.

Monetary policy without limits will lead to a very wild and bumpy ride and a larger crisis than the one we have been trying to resolve: a perfect storm for gold.

Diego Parrilla is a precious metals specialist and the co-author of *'The Energy World is Flat'*

Commodities

London unveils gold futures platform

Backers take on bullion banks as they take stake in LMEprecious platform

NEIL HUME

Investors will soon be able to trade gold through a London-based futures contract, in a move its backers claim will make the world's largest hub for the bullion more transparent as they go up against the top precious metal banks.

The London Metal Exchange and The World Gold Council, a lobby group, will outline plans today to launch London futures contracts that aim to prepare the market for incoming regulations and increased scrutiny of price setting.

About three-quarters of global gold bullion dealing takes place in London, but most is done directly between buy-

ers and sellers as it has been for decades.

Five investment banks, including Goldman Sachs, Société Générale and China's ICBC Standard Bank, and trader OSTC are supporting the contracts.

The partners have taken an equity stake in a platform called LMEprecious and will support the trading of the contracts, which will launch in the first half of next year.

London's two largest bullion banks, HSBC and JPMorgan, have not signed up to the project, raising questions about its prospects as it potentially splits the market into rival camps.

"We are going to see a new era for gold trading in London," said Aram Shishmanian, chief executive of the WGC. "It has been a long time coming."

London's 250-year-old gold market is being forced to reassess the way it does business by new rules, many of them

introduced since the benchmark-rigging scandals that rocked foreign exchange and interest rate markets.

As recently as 18 months ago the price of gold was still set, or "fixed", twice a day by a small group of banks conferring over the telephone with clients.

That century-old practice has been replaced by an electronic system, but most spot gold trading in London is still done "over the counter".

Bilateral trading has become more expensive because of stringent capital requirements imposed on banks after the financial crisis.

Gold liquidity — the amount traded on any one venue — has fractured and helped rivals such as Comex in New York and the Shanghai Futures Exchange to chip away at London's dominance.

In order to address concerns about

40%
Increase in physical gold held by ETFs this year

\$1,337
Price of gold a troy ounce after 25% rise in 2016

transparency and liquidity, the London Bullion Market Association, which is set to regulate the bullion market, is evaluating bids to create a trading and reporting platform.

The plan to modernise OTC trading does not go far enough for some market participants, who want an exchange-based system in London. Contracts offered by LMEprecious can be physically settled and will mimic the date structure offered by the LME in base metals.

Gold, one of the most actively traded commodities, is rising in popularity among investors because of falling interest rates and shocks such as Brexit.

This year gold bullion held by exchange traded funds has risen more than 40 per cent to a three-year high of 57.2m ounces, while the gold price is up 25 per cent to \$1,337 a troy ounce.

Analysis. Capital markets

BoE's 'kitchen sink' easing wins plaudits

Reaction to weaker pound has been everything a central bank governor could wish for

ELAINE MOORE AND DAN MCCRUM

After holding out for seven years, the UK has finally succumbed to a new round of monetary stimulus — joining the eurozone and Japan to become the third large economy actively engaged in central bank easing.

As investors are openly questioning both the capacity and potency of monetary policy action, market reaction to the Bank of England's post-Brexit vote scheme has been everything a central bank governor could wish for.

As soon as the plan was announced on August 4, global equities jumped, yields on government and corporate bonds sank to fresh lows and the pound dropped against every leading currency.

Since its fall from \$1.50 on the day of the EU referendum the pound has cleaved to \$1.30, decisively weakening what Deutsche Bank analysts described last year as "the most expensive currency out there". Compare that with Japan, where the BoJ's attempt at radical, aggressive monetary policy with a negative interest-rate strategy at the start of the year has failed to rein in the currency's advance.

Weaker exchange rates are not a policy the BoE pursues, but they help to boost export competitiveness and support inflation, says Mark Dowding at Bluebay Asset Management.

"It certainly helps. The central bank is communicating that it would be happy to see the pound get weaker. The market view is that what the UK has done is pretty dynamic."

The BoE's package of options has been dubbed a kitchen sink approach — encompassing the first interest rate cut since 2009, an unexpected plan to buy up to £70bn in government and corporate debt and a £100bn scheme to help banks borrow at cheaper rates.

Yet the UK's approach is in some ways more limited than its overseas counterparts. Benchmark UK interest rates have been cut to a 322-year low but remain positive at 0.25 per cent and the BoE governor Mark Carney has reiterated his opposition to rates being cut below zero, putting him at odds with central bankers in Europe and Japan.

Eric Lonergan, a fund manager at M&G Investments, caused a stir among market watchers last week when he suggested the UK's new £100bn Term



The BoE's options included the first rate cut since 2009, a plan to buy corporate debt and to help banks borrow at cheaper rates

Niklas Hallen/AFP/Getty

Funding Scheme — a way to encourage banks to pass on the cut in interest rates — could usher negative rates by cutting private sector lending rates below the main interest rate. However, BoE deputy governor Ben Broadbent has explicitly said this is not the case.

One of the conclusions from the latest round of monetary policy decisions around the world is a reluctance to take rates negative, or cut further below zero, says Bob Michele, head of fixed income for JPMorgan Asset Management.

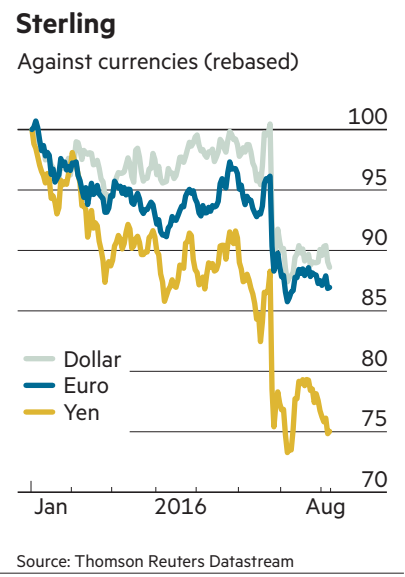
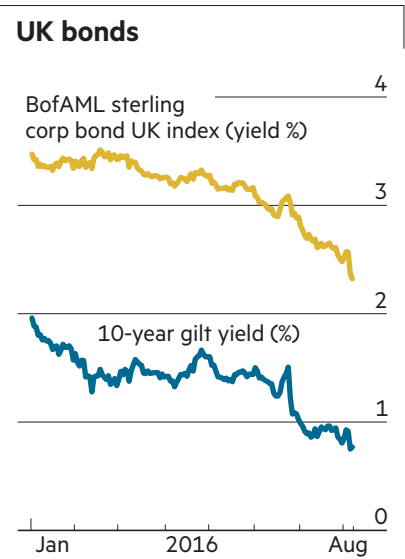
Both the BoJ and European Central Bank held steady at their most recent meetings, and the BoE cut only to 25 basis points, rather than to zero. "Carney even said in his comments he is opposed to negative rates", he says.

This should put a floor on yields. Bonds are not cheap at current yields, but Mr Michele says that he learnt a long time ago not to fight central banks. "Japan, the ECB, the Bank. You marry that with the reinvestment of interest

and maturities at the Fed: we estimate there is about \$0.5tn of money being printed by the central banks every quarter which goes into the bond market."

In the ECB and Japan, this has pushed credit analysts to warn central bankers they risk running out of eligible bonds to buy. "The big concern is that the BoJ already owns more than a third of JGBs and there's a fear as it keeps buying, it will run our of willing sellers and that whole policy becomes impotent," said Mansoor Mohi-uddin, a senior market strategist at RBS in Singapore. "It looks like Mark Carney decided the BoE still has the ability to buy."

The UK's combination of gilt and corporate bond purchases came as a surprise to investors — resulting in a fresh set of gilt yield records and average sterling corporate bond yields falling to a new low of 2.19 per cent. The BoE's corporate bond buying is proportionately smaller than the ECB's, but a lack of liquidity means it could have a similar



Source: Thomson Reuters Datastream

effect in cutting the cost of funding and boosting issuance says Mark Lynagh, head of investment-grade bonds at BNP Paribas. BMW, BNP Paribas, HSBC and Vodafone have all tapped the market since the scheme was announced.

"One interesting difference is that there does not seem to be a limit on the maturities that the BoE will buy — whereas the eurozone programme has a cap of 31 years," he says. "That means we could see a lot more long-dated corporate paper for sale in the UK."

More details of the bond-buying scheme will be released in September, after which investor focus will switch to the Autumn Statement.

"The bank delivered more than expected and a lot is resting on projections of another interest rate cut before the end of the year," says Charlie Diebel, head of rates at Aviva. "But what investors will now want to see is what the fiscal response is going to be."

Additional reporting by Jennifer Hughes

Commodities

Opec producers renew push for output curb

ANJLI RAVAL

Opec, the oil exporters' group, has said it will meet informally in September as it grapples with a renewed dip in crude prices since its last meeting in June.

Representatives would gather on the sidelines of the International Energy Forum biennial conference for ministers in Algeria in late September, the body said in a statement yesterday.

"Opec continues to monitor developments closely, and is in constant deliberations with all member states on ways and means to help restore stability and order to the oil market," it said.

At the ministerial meeting in June, officials agreed to maintain their strategy of not cutting production. A rebalancing was under way, they said.

Prices had been on the rise since falling below \$30 a barrel at the start of the

year. By mid-June Brent crude was above \$50 a barrel amid production outages in Canada, Libya and Nigeria.

But renewed weakness, in part as a result of some of this production coming back on the market, has prompted some Opec members to push again for a production freeze.

In April a Doha meeting with non-Opec countries did not result in output curbs. "The last try a few months ago failed spectacularly," said analysts at JBC Energy.

The latest attempt, they said, was "indicative of the significant pressure some of these producers are under".

After falling towards \$40 a barrel last week, Brent, the international crude benchmark, edged \$1.12 higher yesterday to \$45.36 a barrel.

Hedge funds and other money managers have cut bets on rising prices to

the lowest level this year, data from Intercontinental Exchange show. After an eighth consecutive week of cuts, net long positions were down 28,148 contracts to 260,388 in the week to August 2, while short positions grew.

Higher production from Iran, Iraq, Nigeria and Libya could push Opec production past 34m barrels a day next year, said David Hufton at PVM, a broker. "These are not scenarios that add up to higher oil prices," he said. "Price recovery in 2017 is not a shoo-in."

Opec's president remained positive about the market's direction. "Higher demand is expected in the third and fourth quarters," said Mohammed Bin Saleh, who is Qatar's energy minister.

The price decline was temporary and the result of "weaker refinery margins [and] inventory overhang", the group said in a statement.

Currencies

Naira feels the heat as unofficial rate weakens

MAGGIE FICK

The gap between Nigeria's official and black market currency rates is once again widening, six weeks since the African nation introduced a supposedly market-driven system in an attempt to aid the ailing economy.

After falling steadily all last week, the naira hit N400 against the dollar in the black market on Friday and was exchanging at N398 yesterday, according to traders in Lagos.

That was 25 per cent weaker than the interbank rate of N319 and the weakest level for the naira since the central bank abandoned its 16-month currency peg in June.

This black market rate suggested the central bank was still intervening to prop up the naira's official value, said analysts and business people in Africa's

biggest economy. The official rate flat-tered the naira, said John Ashbourne of Capital Economics in London.

The economist added that the far weaker black market exchange rate was a better gauge of the currency's actual value.

"The official market seems to be incredibly thin — there is not a lot going on there and it is keeping people in the black market," said Mr Ashbourne, adding: "This will keep a pretty wide spread [between the two rates]."

As was the case before the central bank buckled to pressure and switched to a market-driven currency system in June, the wide spread between the official and black market rates indicated a dollar scarcity that has worsened Nigeria's economic woes in the past year.

Because the central bank has not eased its restrictions on foreign cur-

rency for importers, many local companies are continuing to use the black market to source funds, said Frank Jacobs, president of the Manufacturers Association of Nigeria.

"Manufacturers are not getting much from the interbank market," he said. "There's still a problem with liquidity and unmet demand."

"What we're seeing in the black market signals what's happening on the current account side, particularly in the trade account," said Yvonne Mhango, chief sub-Saharan Africa economist at Renaissance Capital.

Second-quarter GDP figures are expected to be released by the government's statistics bureau within days.

The economy shrank 0.4 per cent in the first quarter and the International Monetary Fund now expects it to contract 1.8 per cent this year.

MARKETS & INVESTING

TRADING POST

Jamie Chisholm

Sweden's July inflation report on Thursday may boost the krona (SEK) versus the euro (EUR), reckons RBC Capital Markets.

In their latest Trade of the Week, which as the title suggests is designed to be a bet lasting just several days, forex strategists at the bank have gone short the EUR/SEK at 9.5130.

The target is 9.3100 with a stop loss placed at 9.6100.

“Swedish consumer price index data are one of the few key releases in an otherwise quiet week and after three months of solid SEK underperformance we think the risk is asymmetric to the downside for EUR/SEK,” says Adam Cole, head of G10 FX strategy at RBC.

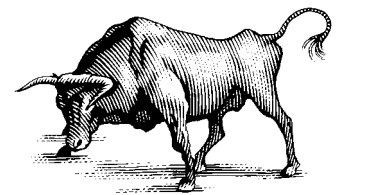
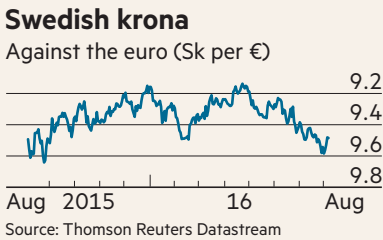
He explains that core inflation continues to trend steadily higher and forward rates are below the current policy rate for more than a year, in contrast to the Riksbank's forward guidance, which has rates beginning to rise in the second half of 2017.

“A better CPI reading would see rates move toward the Riksbank's forecast, but the data would need to be very weak to push forward rates down, given the starting point.”

Forecasts are for a year-on-year CPI rise of 0.8 per cent, and month-on-month of minus 0.2, says Bloomberg.

“A generally better risk backdrop (our Risk Aversion Thermometer plunged to its lowest since April after Friday's payrolls) should also help SEK outperform on the crosses as SEK still trades as a mild proxy for general risk appetite, despite negative yields out to almost 10 years,” RBC concludes.

jamie.chisholm@ft.com



Wall Street
Allergan revenues
blow helps to drag
healthcare lower

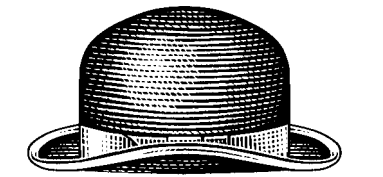
Eric Platt

Healthcare stocks in the US slid yesterday in a lacklustre trading session as investors digested disappointing results from **Allergan**, days after a potential blockbuster cancer treatment from Bristol-Myers Squibb failed a large clinical trial.

Shares of Allergan declined as much as 5 per cent before paring losses to trade 2 per cent lower at \$247.70 after second-quarter revenues fell short of Wall Street expectations.

The Botox maker said revenues rose 2 per cent from a year earlier to \$3.68bn, below the \$3.72bn projected by analysts covering the group, as its dermatology medications business slowed.

Weakness in Bristol-Myers Squibb



London
Melrose jumps 14.7%
on heightened prospects
of Nortek purchase

Bryce Elder

Engineering turnaround specialist **Melrose Industries** hit a record high yesterday after it looked to have landed the acquisition of Nortek.

Melrose jumped 14.7 per cent to 786p on news that no other bidders had come forward for Nortek during the so-called window shop period, meaning it can push on with a £1.6bn rights issue and complete the deal at the end of August.

Global overview

Caution returns as consolidation sets in after US jobs report gains

S&P 500 edges back from record close as rallies in commodity-linked stocks fail to lift indices and dollar and gold inch up

DAVE SHELLOCK

US and European stocks began the week on a cautious note as the markets consolidated the sharp gains triggered by Friday's reassuring non-farm payrolls report.

Strong performances from energy and other commodity-focused sectors – in tandem with further rebounds for oil and metals – failed to lift **equity** indices on either side of the Atlantic.

Asian stock markets had a better day, led by Tokyo, as they got their first opportunity to react to the US jobs data, which kept alive the possibility of the Federal Reserve raising interest rates this year – and possibly as early as next month.

The Nikkei 225 rose 2.4 per cent to a one-week high as export-oriented stocks were lifted by a renewed bout of weakness for the yen.

Elsewhere in the region, the Hang Seng index in Hong Kong rose 1.6 per cent and the Shanghai Composite ended 0.9 per cent higher.

Those gains helped the FTSE All World index rise 0.3 per cent to its highest in almost a year, even as the S&P 500 in New York slipped 0.1 per cent from a record close on Friday of 2,182.87. The US equity benchmark touched a fresh all-time intraday peak of 2,185.44 shortly after the start of trading.

The pan-European Stoxx 600 index edged up fractionally after jumping 1.1 per cent on Friday.

Energy stocks rose 1.6 per cent in the US and 0.7 per cent in Europe as Brent, the international **oil** gauge, climbed 2.1 per cent to a two-week high of



Juan Naharro Gimenez/Getty

US jobs numbers explained: FT.com/video

The FT's Sam Fleming explains why the latest employment numbers point to a recovery in the US labour market

\$45.21 a barrel and US West Texas Intermediate gained 2.9 per cent to \$43.01.

Copper, meanwhile, rose 0.4 per cent in London to \$4,810 a tonne, although uncertainty over the outlook for Chinese demand kept the price in sight of a recent four-week low.

News that Opec would hold an informal meeting next month prompted talk in some quarters about the possibility of an agreement to rein in crude output.

Analysts, however, were sceptical. “There is no point for Opec to try to put any freeze on production,” said Bjarne Schieldrop, chief commodities analyst at SEB. “It would be like pushing on a string because of rapidly responding US shale oil production.

“Last year crude oil prices were capped by shale at \$60 a barrel. This year Brent was capped at \$50 by rising US shale oil rigs. Tightening up the market in any deliberate or artificial way at this point would only lead to a further rise in US oil rig count.”

Meanwhile analysts at Barclays noted that while crude oil prices in dollar terms were still about 50 per cent above the lows touched in February, prices denominated in emerging market currencies were hovering near their lows for the year.

“In certain EM countries such as Brazil, the price to import crude has already fallen to the lowest levels since August 2010. Retail prices for petroleum prod-

ucts in EM countries are also hovering near the lows for the year,” they said.

“The reductions in the retail level are most prominent in key consumers India and China. The reduction at the consumer level could help spur new sources of oil demand growth in these countries, and there could be upside surprises to growth in EM as a result.”

Such an outcome could be important given that the markets have moved to price in an increased probability of the Fed raising interest rates in the wake of the latest NFP data – a scenario that could derail the recovery in EM assets.

The chances of the US central bank acting in September has more than doubled in the past month, according to Bloomberg calculations, while the yield on the 10-year **US Treasury**, although flat yesterday at 1.58 per cent, has risen 26 basis points from a record low hit in early July.

David Rees at Capital Economics said there was a good chance of US borrowing costs being raised before the end of the year. “Moreover we continue to believe that the fed funds rate will reach 1.50 per cent next year, which is much more than is discounted in the market,” he said.

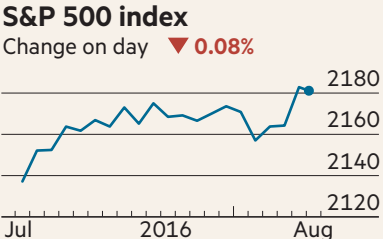
“We expect the 10-year Treasury yield to rise to 3 per cent next year. EM bonds and equities have already rallied strongly in recent months, and large increases in Treasury yields have sent them into freefall in the past.

“Indeed the 150bp increase in 10-year Treasury yields that we forecast is the same size as the spike that triggered heavy losses in 1994.”

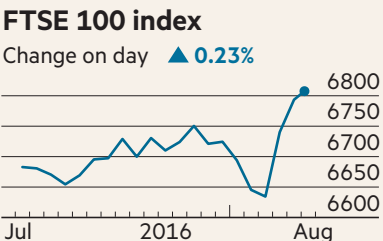
The dollar continued to bask in the afterglow of the NFP reports, with the **currency** up a further 0.3 per cent against a basket of peers. The euro was down 0.1 per cent at \$1.1077 while dollar/yen was 0.7 per cent higher at ¥102.51.

Gold inched up \$1 to \$1,336 an ounce after sliding nearly \$26 on Friday.

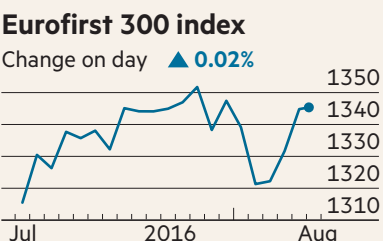
Markets update



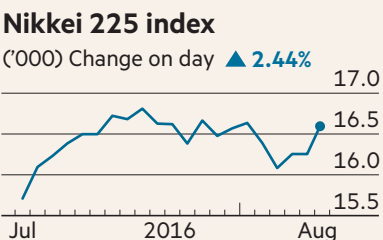
US equities Wall Street struggled to build on Friday's jobs data-fuelled gains, as fresh rallies for energy and basic materials stocks were countered by a sharp fall for the healthcare sector



UK equities The FTSE 100 inched up to a 13-month high as mining and energy stocks got a lift from higher oil and metals prices, while Barclays rallied 3.6 per cent after a broker upgrade



European equities Another strong session for financial stocks helped offset losses for the healthcare and consumer sectors, leaving the Eurofirst 300 little changed



Japanese equities Friday's solid US jobs data underpinned sentiment in Tokyo as weakness for the yen helped push the Nikkei to a one-week high

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SMART MONEY

Richard Blackden



Healthcare’s prognosis is good even as both US nominees take aim

Donald Trump is the billionaire master of Twitter, but Hillary Clinton sent the \$15bn tweet. “Price gouging like this in the specialty drug market is outrageous. Tomorrow I’ll lay out a plan to take it on,” the Democratic presidential nominee tweeted last September. Although provoked by an egregious case in which a company acquired a drug and promptly lifted the price 5,000 per cent, Mrs Clinton’s words were enough to rattle US healthcare stocks. The Nasdaq Biotechnology index, a corner of the stock market where investors rummage for the next money-spinning medicine, lost about \$15bn to close down nearly 5 per cent. The tweet is seared into Wall Street’s memory because, so far, little else from this election campaign is. For pundits, politicians and voters, this fight for the White House is proving compelling. However, for fund managers trying to assess the potential impact of policies on portfolios, election campaigns are enervating, and this one is no different. The only currency Mr Trump, the Republican nominee, deals in is the slogan, while Mrs Clinton has such a panoply of policies it is hard to be confident which would be priorities should she win.

With polling day not until November, the election is not at the centre of investors’ radars. Conclusions about what this election might mean for markets are inevitably tentative. Yet with three months to go until we discover Barack Obama’s successor, it is worth examining the question, and there is no better place to look than healthcare stocks.

Healthcare is one of the few industries that are in the crosshairs of both candidates. With an interest dating back to her time as first lady, Mrs Clinton has vowed to end hefty price rises and expand the Affordable Care Act, or “Obamacare”. Mr Trump accuses big pharma of ripping off government-funded healthcare programmes and has vowed to repeal Obamacare.

Giving more clout to Medicare — the government-backed healthcare programme for elderly people — to allow it to negotiate medicine prices, would probably be a headwind for big drug groups, while unwinding Obamacare would be a blow for hospital operators, whose profits have been polished by the extension of health insurance to more Americans.

There are signs the election has dragged on healthcare’s performance. As Mrs Clinton’s tweet shows, political heat has been a factor troubling the Nasdaq biotech index since its record high in July 2015. After a scorching performance during the US stock market’s recovery from a 2009 financial crisis low, biotechs are down 13 per cent this year.

But this picture is a long way from real fear. Indeed, as combat between Mrs Clinton and Mr Trump has intensified, the biotech index has rallied. Since falling to a low for the year at the end of June, it has jumped 24 per cent.

JPMorgan recommends that investors buy healthcare stocks and dump consumer staples, a sector that, with utilities and telecoms, has been a big winner from the defensive mindset that has dominated in US equities this year. The bank’s analysts say any policy change material to the investment case for the sector “would require considerable alignment in Washington”.

In other words the Republicans or the Democrats would need to capture the White House, the House of Representatives and the Senate for the legislative plates on healthcare to really shift.

That investors judge this outcome remote is another reason for the blistering performance of biotech over the past month. So is the pressure on fund managers not to miss out on any significant second-half rallies that will help repair their first-half performance.

If that were not enough, in five of the past six presidential elections the healthcare sector has outperformed the wider stock market by about 4 per cent in the six months after the vote.

With Mr Trump having upended conventional political wisdom on his way to the Republican nomination, and Mrs Clinton becoming the first female presidential nominee, this election is historic. However, if the verdict from healthcare investors is anything to go by, actual change under the 45th president will prove less so.

Biotech index has rallied as the Clinton-Trump battle has intensified

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holders of longer-dated bonds will suffer if interest rates or borrowers’ defaults increase

ERIC PLATT — NEW YORK

Record-low interest rates are no barrier for US companies finding buyers for their debt thanks to a relentless global quest for fixed returns that shows little sign of easing.

The pace of US corporate debt sales is expected to continue unabated, driven by foreign buyers in a world where roughly \$13tn of sovereign and corporate debt trades in negative territory.

“It is a low-return world,” says Ed Campbell, a portfolio manager with asset manager QMA. “You don’t have a lot of asset classes that are attractive and there is a flight to quality where the US is outperforming.”

More than \$2.3tn of dollar-denominated debt has been issued by companies and banks since the year began, including three of the 10 largest corporate bond sales on record, Dealogic data show.

Debt funds in the US have seen a wave of inflows as investors in Japan and Europe search for income and have sought recent sales from groups such as Microsoft, Alphabet, Verizon and Apple.

Bond-buying programmes launched by the Bank of Japan and European Central Bank — alongside a fresh round of easing from the Bank of England last week — have compelled investors to reach outside their domestic markets.

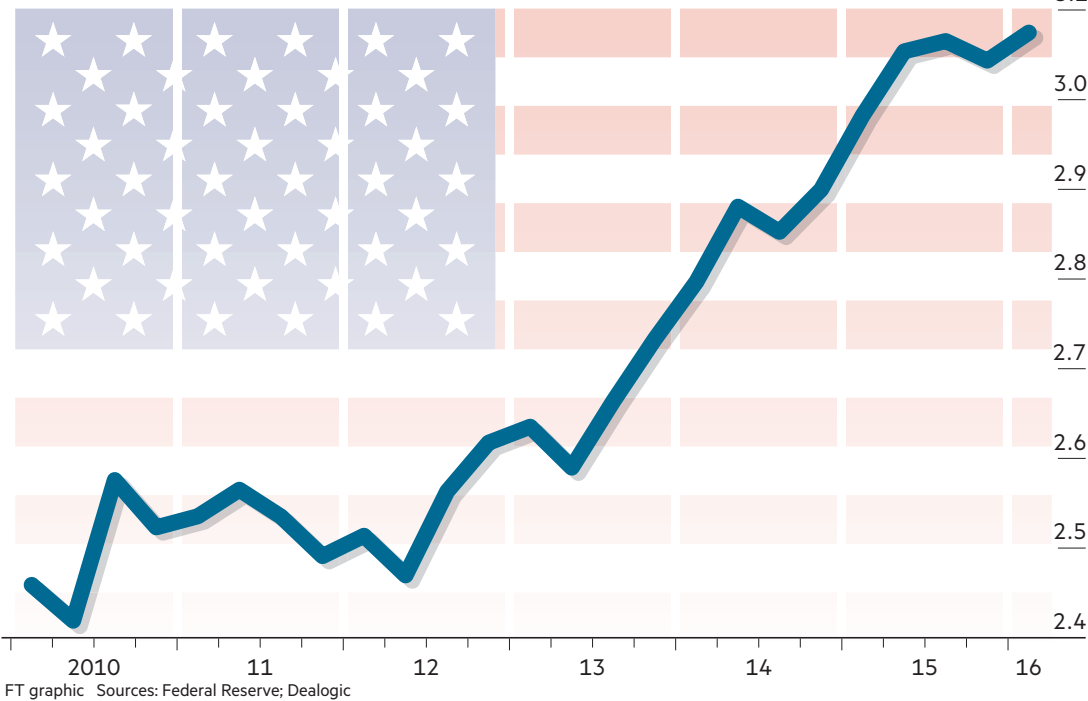
“You can feel this wall of money coming in,” says Stephen Kotsen, a portfolio manager with Nomura Corporate Research and Asset Management.

“We are seeing flows from every region and every type of investor because of the central bank easing. That wall of money has to be put to work.”

Investors say they are prepared for flows to accelerate, maintaining downward pressure on interest rates and risk premiums, which are represented by

Yielding results

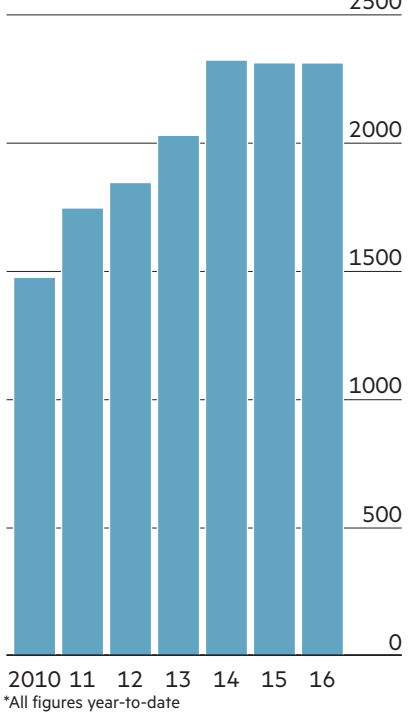
A wave of foreign demand for US corporate bonds US corporate bonds held by non-US investors (\$tn)



FT graphic Sources: Federal Reserve; Dealogic

Global corporate bond issuance near record pace

Total funding raised* (\$bn)



*All figures year-to-date

“The reach for yield . . . will persist for as long as US dollar yields are the best game in town”

the spread between Treasury and corporate bond yields.

“The reach for yield has morphed into a desperation for yield post the Brexit vote,” says Nathaniel Rosenbaum, a credit strategist with Wells Fargo. “This will persist for as long as US dollar yields are the best game in town and as long as the Federal Reserve is perceived as the most hawkish of the G10 central banks.”

Mr Rosenbaum notes that Asian investors are the fastest-growing foreign buyers of US debt.

“If the much-hyped ‘bid from Asia’ evaporated, spreads would no doubt widen,” he adds. “But if Europe started to sell, spreads would likely gap much wider and prices would fall sharply.”

The race into US corporate debt carries its risks, both if rates rise or if borrowers default. Delinquencies have remained concentrated within the

energy industry in the US, but have trended to levels not seen since the wake of the financial crisis in 2009.

Investors have nonetheless ploughed forward, often bidding up the longest-dated bonds in a quest to add slightly more income to their portfolios.

The fear for these buyers is that yields snap higher, even modestly. At the start of August, 10-year Japanese government bonds suffered their worst four-day run since 2003, offering a reminder of the risk of duration.

Long-dated bond prices are far more sensitive to shifts in underlying interest rates than debt with a shorter maturity. The fall in interest rates has rewarded buyers of long-dated bonds as their prices have risen more rapidly than those of shorter maturity debt. The risk, however, is that a reversal in this trend will hit buyers of long-term debt hard.

New 40-year debt issued by Microsoft would lose more than 30 per cent if the yield on benchmark 30-year Treasuries rose 1 percentage point — a level the bonds last traded at 13 months ago.

Bonds sold by Union Pacific and Hershey, which attracted strong demand for 30-year paper, would slide more than 29 per cent under the same scenario.

Spreads on corporate paper, however, remain above 2014 lows, which investors say provides a buffer for trade in US company debt.

“What people are looking for is a little bit of yield [and] the chance of capital gains,” says Nick Gartside, JPMorgan Asset Management’s fixed income chief investment officer, pointing to the difference between yields on European and US company bonds.

“A yield of 2.83 per cent can fall a lot more than a [yield of] 0.71 per cent.”

Capital markets

Easing pushes sterling bonds towards record

JOEL LEWIN

Sterling corporate bonds are set to record their best performance in a generation as the Bank of England’s latest policy easing intensifies a strong year of gains.

Bonds issued by companies in sterling have generated a total return of 15.3 per cent so far this year — the highest year-to-date return since at least 1997, according to Bank of America Merrill Lynch.

That leaves the market just shy of eclipsing the strongest full-year gain — 2012’s 15.8 per cent rise — according to the bank.

Since the BoE unveiled its £10bn corporate bond-buying programme on Thursday, returns for the asset class have leapt 2.6 per cent, leapfrogging US and emerging market high-yield corporate bonds, which have returned 14.7 per cent and 12.7 per cent respectively. Year-to-date sterling corporate bond returns are more than double their US and euro counterparts, which have returned 7.9 per cent and 5.8 per cent respectively.

“The Bank of England’s decision last week to undertake a new round of policy easing to combat expected economic damage from the Brexit vote is already having a powerful impact on credit markets,” says David Watts at CreditSights.

The strength of the post-BoE meeting rally is partly down to the fact the corporate bond-buying announcement came as such a surprise to investors.

“There was some debate before the announcement over whether the BoE was going to launch a corporate bond purchase programme,”

said Mr Watts. “Our view was that it was unlikely as UK investment grade corporates were not facing any funding difficulties and as such, the transmission mechanism of corporate bond purchases to the real economy was difficult to justify.”

And there could be more to come. Greg Venizelos, at AXA, said: “A renewed rally in gilts plus strong credit spread compression could take sterling credit returns for 2016 towards the high teens, an all-time high.”

Average investment grade sterling corporate bond yields have declined more than 27 basis points in the past few days to a record low of 2.19 per cent. That is 1.24 percentage points lower than the start of the year.

As such, some strategists suggest investors should enjoy these bumper sterling corporate bond returns while they last, as this is likely to be a one-off.

Mr Venizelos said that as the programme begins, “corporate yields will take another leg lower, making it yet harder for investors to reach return targets”.

Suki Mann, who runs CreditMarketDaily.com, said the fact that “sterling corporate bond returns are going to the moon” offers investors nothing more than “some near-term consolation”.

He warned: “In a market not blessed with much supply as it is — barely £7bn this year — and having always suffered from poor secondary market liquidity where the information ratio is also very poor, the BoE has just made it worse. They’re not fixing this market, instead they are going to annoy and frustrate investors.”

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