Newspaper of the Year

FINANCIAL TIMES

WEDNESDAY 28 MARCH 2018 | WORLD BUSINESS NEWSPAPER | EUROPE

20 years on

Northern Ireland's peace deal starts to show cracks — BIG READ, PAGE 7

Death stars

Giant malls are helping to kill off Main Street — BROOKE MASTERS, PAGE 9

Pale, male, stale?

Time to think of doing something different — MICHAEL SKAPINKER, PAGE 8

Kim makes secret trip to Beijing ahead of possible Trump summit

- North Korean leader in first foreign trip
- China refuses to confirm meeting with Xi

TOM MITCHELL AND CHARLES CLOVER — BEIJING
DEMETRI SEVASTOPULO — LONDON

Kim Jong Un, the reclusive North Korean leader, travelled to Beijing this week under a shroud of secrecy in his first foreign trip since succeeding his father as dictator six years ago, according to two people briefed on the visit.

The two-day trip, which was the subject of intense speculation after an armoured train bearing North Korean markings was seen in the Chinese capital on Monday, comes as Pyongyang prepares for a possible summit with President Donald Trump to defuse the crisis over its nuclear programme.

The secrecy surrounding the trip, combined with extensive security around Beijing's Tiananmen Square and the motorcade afforded to the visiting dignitary, had sparked speculation that Mr Kim had travelled to China for a meeting with President Xi Jinping.

Chinese officials declined to comment on the visit, which became public when the train, which was similar to those used in the past by North Korean leaders, pulled into Beijing's main railway station on Monday, according to a video aired by Japanese broadcaster NHK.

"I know you are all very curious about this but at present I have no information on this subject," said Hua Chunying, foreign ministry spokesperson after multiple questions about the mystery visitor at her news conference yesterday.

Although Beijing has long been North Korea's closest ally, relations have become strained as Mr Kim accelerated testing of Pyongyang's nuclear and missile programmes last year. China backed tougher UN sanctions on Pyongyang last year.

The White House has put pressure on Mr Xi to clamp down on North Korea and Mr Trump publicly chastised Beijing when it proved unable to restrain Mr Kim — statements that contributed to a wider deterioration in relations between Washington and Beijing. More recently, Mr Trump imposed tariffs against China for allegedly unfair trade practices.

Mr Trump stunned US allies — and his own advisers — when he this month agreed to meet Mr Kim. But analysts said the biggest loser following the overture was China, which risks being left on the sidelines and shed of its existing leverage over Washington or Pyongyang.

Mr Kim's visit may be intended to reassure Beijing he was not intending to abandon China, said Kim Jae-chun of Sogang University in South Korea.

"North Korea will need to mend fences with China one way or another," he said. "It is necessary, and it is better to do it sooner rather than later."

> One expert said the Kim visit may be intended to show Beijing he was not seeking to abandon China

The North Korean armoured train was met by a motorcade on Monday that proceeded through central Beijing, part of which was in lockdown. The convoy arrived at the Great Hall of the People on Tiananmen Square and stayed well into the night. The North Korean train departed from Beijing yesterday afternoon apparently bound for Pyongyang. All news about North Korea was censored on the Chinese internet — a sign of extreme sensitivity over the issue.

Yang Moo-jin, a professor at the University of North Korean Studies, said talks between Mr Xi and Mr Kim could be intended to reset strained relations.

"China wants to exert more influence on the Korean peninsula, while the North wants to escape isolation and restore relations with China while extracting economic support," said Mr Yang.

Additional reporting by Bryan Harris in Seoul

Visit signals China fears page 3

Kim Jong Un made no public appearance on his visit to Beijing, unlike his father, Kim Jong Il, in 2010 — FT montage; AP; Getty Images

Briefing

▸ Novartis sells joint venture stake to GSK
The Swiss drugs group has sold its stake in a joint venture with GSK to the British group for $13bn, as both companies sent a strong signal on their strategies.— PAGE 11; LEX, PAGE 10; ANALYSIS, PAGE 15

▸ German objections to Russian expulsions
Politicians have criticised Berlin's decision to expel four diplomats over the nerve agent attack on Sergei Skripal in the UK, saying there was still no conclusive proof that Russia was behind it.— PAGE 2

▸ British pressure mounts on Zuckerberg
The Facebook chief faces fresh calls to give evidence to UK lawmakers after the whistleblower at the heart of a privacy row that has wiped $60bn off the company's value made a series of fresh allegations.

▸ Vietnam targets 50% private enterprise
Premier Nguyen Xuan Phuc has told the Financial Times the communist-ruled country aims to generate half of its output from the private sector within two years.— PAGE 3

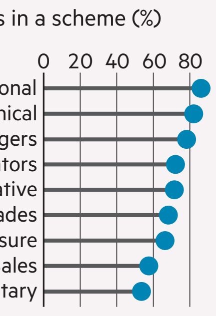
▸ White House sparks US census backlash
The Trump administration has provoked threats of lawsuits and a backlash from Democrats after deciding to reinstate a question about citizenship status in the census.— PAGE 4; JAMES TIERNEY, PAGE 9

▸ S&P doubles South Africa growth forecast
The credit rating agency has said Africa's most industrialised economy will expand by 2 per cent this year, amid optimism over planned reforms under new president Cyril Ramaphosa.— PAGE 4

▸ Ex-bureaucrat refuses to implicate Abe
Former bureaucrat Nobuhisa Sagawa has said the Japanese prime minister did not order him to falsify documents about a public land sale, as a cronyism scandal engulfing the government heats up.— PAGE 3

Datawatch

Pension divide
UK employees in a scheme (%)



Source: ONS, Workplace pension, 2017

Workplace pensions vary widely in the UK. About 86 per cent of professional workers have a pension, but the share drops to less than 60 per cent for customer services and for 'elementary' jobs

Economic battle shakes Iraqi optimism after Isis

Daunting task ▸ PAGE 4

Brussels eyes €56bn raid on ECB cash in bid to fill budget gap left by Brexit

MEHREEN KHAN AND JIM BRUNSDEN — BRUSSELS

Brussels is considering a €56bn raid on European Central Bank profits and a plastics tax to plug a hole in its long-term budget after Brexit.

The European Commission will today discuss ways to find new sources of revenue to maintain its financial firepower once the EU's second-biggest net budget contributor leaves the bloc in 2019.

One measure under consideration is a plan to divert profits made by the eurozone's 19 national central banks from printing banknotes straight into EU coffers. The commission estimates the revenues could generate €56bn during the seven-year span of the next EU budget.

More than 90 per cent of the so-called seigniorage profits are distributed by the ECB to the eurozone's 19 central banks, which often pass a portion on to their national treasuries.

The commission is eyeing the ECB raid as a quick way to generate money for the common EU pot as the likes of the Netherlands and Austria refuse to raise their contributions to the €1tn EU budget after the UK's departure.

"It is one of the low-hanging fruit ideas for the budget," said one EU diplomat. A senior official from a eurozone country said consultations had started between his national government and the central bank over transferring seigniorage money to Brussels.

The commission is also drawing up plans for a so-called "plastics contribution" to widen its spending resources. In January, Günther Oettinger, budget commissioner, said details of the plastics tax would be announced in the formal budget proposal in early May.

Brussels' politically charged budget discussions often pit rich net contributors, such as France and Germany, against poorer beneficiaries, such as Poland and Hungary. But the latest round of negotiations for the budget that runs from 2021 has been complicated by Brexit, policy challenges such as migration, and a French-led push to create eurozone-only spending tools.

Final decisions will rest with national governments.

The ECB said any changes to the way it distributes its profits would require a legal change to the bank's statute. "Together with their own profits, the national central banks distribute it, according to national legislation, to their shareholders, which are the finance ministries. The respective ministries and governments decide what they do with that money," the bank said.

Austria	€3.70	Macedonia	Den220
Bahrain	Din1.8	Malta	€3.60
Belgium	€3.70	Morocco	Dh45
Bulgaria	Lev7.50	Netherlands	€3.70
Croatia	Kn29	Norway	NKr35
Cyprus	€3.60	Oman	OR1.60
Czech Rep	Kc105	Pakistan	Rupee320
Denmark	DKr35	Poland	Zl 20
Egypt	E£35	Portugal	€3.60
Finland	€4.50	Qatar	QR15
France	€3.70	Romania	Ron17
Germany	€3.70	Russia	€5.00
Gibraltar	£2.70	Serbia	NewD420
Greece	€3.60	Slovak Rep	€3.60
Hungary	Ft1090	Slovenia	€3.50
India	Rup210	Spain	€3.60
Italy	€3.60	Sweden	SKr39
Latvia	€6.99	Switzerland	SFr6.00
Lebanon	LBP7500	Tunisia	Din7.50
Lithuania	€4.30	Turkey	TL12.50
Luxembourg	€3.70	UAE	Dh17.00

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World Markets

STOCK MARKETS

	Mar 27	prev	%chg
S&P 500	2672.67	2658.55	0.53
Nasdaq Composite	7235.31	7220.54	0.20
Dow Jones Ind	24422.10	24202.60	0.91
FTSEurofirst 300	1438.35	1420.70	1.24
Euro Stoxx 50	3316.91	3278.72	1.16
FTSE 100	6999.88	6888.69	1.61
FTSE All-Share	3866.92	3810.81	1.47
CAC 40	5115.74	5066.28	0.98
Xetra Dax	11970.83	11787.26	1.56
Nikkei	21317.32	20766.10	2.65
Hang Seng	30790.83	30548.77	0.79
MSCI World $	2069.13	2036.55	1.60
MSCI EM $	1182.28	1172.10	0.87
MSCI ACWI $	506.90	499.36	1.51

CURRENCIES

	Mar 27	prev		Mar 27	prev
$ per €	1.240	1.244	€ per $	0.807	0.804
$ per £	1.414	1.423	£ per $	0.707	0.703
£ per €	0.877	0.875	€ per £	1.141	1.143
¥ per $	105.770	105.055	¥ per €	131.101	130.709
¥ per £	149.570	149.440	£ index	80.209	80.130
€ index	95.973	95.576	$ index	96.054	96.180
SFr per €	1.175	1.175	SFr per £	1.341	1.343

COMMODITIES

	Mar 27	prev	%chg
Oil WTI $	65.59	65.55	0.06
Oil Brent $	70.30	70.12	0.26
Gold $	1341.45	1352.40	-0.81

INTEREST RATES

	price	yield	chg
US Gov 10 yr	94.97	2.82	-0.02
UK Gov 10 yr	97.97	1.42	-0.02
Ger Gov 10 yr	100.32	0.50	-0.02
Jpn Gov 10 yr	100.91	0.03	0.01
US Gov 30 yr	93.71	3.06	-0.01
Ger Gov 2 yr	101.40	-0.62	-0.01

	price	prev	chg
Fed Funds Eff	1.42	1.35	0.07
US 3m Bills	1.79	1.74	0.05
Euro Libor 3m	-0.38	-0.38	0.00
UK 3m	0.67	0.66	0.01

Prices are latest for edition | Data provided by Morningstar

A Nikkei Company

Berlin

Russian expulsions divide German MPs

SPD split over diplomat move, while far-right says it harms national interest

GUY CHAZAN — BERLIN

German politicians from the left and right have criticised the government's decision to expel four Russian diplomats over the nerve agent attack on Sergei Skripal and his daughter Yulia in the UK this month, saying there was still no conclusive proof that Russia was behind the poisoning.

Rolf Mützenich, a senior Social Democrat MP, described the expulsion as "too hasty", telling the newspaper Die Welt that it "did not meet the political criteria that should have applied" in the case of Mr Skripal's poisoning.

"I regret the fact that 14 European governments are spontaneously expelling diplomats without new evidence — at least any evidence I'm aware of," he also told German radio.

The criticism showed Germany's left remained deeply split over Russia, with some Social Democrat MPs — in particular Heiko Maas, the new foreign minister — pushing a hard line against Moscow, while others urge restraint.

That could hinder Chancellor Angela Merkel's efforts to maintain unity in a fractious government that brings together a conservative bloc already riven by disagreements over refugees and the role of Islam in German society, and an SPD split between supporters and opponents of the grand coalition deal with Ms Merkel's group.

Mr Maas said on Monday that the decision to expel the diplomats was "not taken lightly" but that "the facts and the evidence point to Russia". He called on Moscow to "fulfil its obligation to clear up the incident".

The foreign ministry also noted that the attack in Salisbury followed the recent cyber attack on the German government's IT system, which authorities have blamed on Russian hackers.

> 'The attitude that, if in doubt, Putin and the Russians are to blame for everything is poisonous'

But other SPD politicians took issue with the expulsions. Günter Verheugen, former EU commissioner, told Der Spiegel the arguments in the Skripal case were like a "trial sentence which says: 'We can't prove the accused committed the crime, but we wouldn't put it past him.' "

Mr Verheugen added: "The attitude that, if in doubt, Putin and the Russians are to blame for everything is poisonous and must stop."

The rightwing Alternative for Germany also attacked the expulsions. "The presumption of innocence should apply in international diplomacy too," said Alexander Gauland, the party's leader.

Mr Maas had "shown no backbone in the face of the UK's unreasonable demands" and had "acted against German interests", he said.

Britain has said there is "no other plausible explanation" than that Russia was behind the attempted murder of Mr Skripal and his daughter, which it says was the "first offensive use of a nerve agent on European soil since the foundation of Nato". Theresa May, prime minister, told parliament on Monday that no other country "has a combination of the capability, the intent and the motive to carry out such an act".

She said more than 130 people in Salisbury could have been exposed to the nerve agent.

But Jürgen Trittin, the German Greens' foreign policy expert, said it was "reckless to act against Russia in this way, and stumble into a new cold war without solid evidence and only on the basis of certain clues".

Mr Trittin, who is acting chairman of the German-Russian parliamentary group, said Russia would respond by expelling European diplomats and "further channels of communication with Moscow will be blocked off". As a result "the west will gain nothing from the expulsions", he said.

South Atlantic. Thawing relations

Families mourn war dead in Falklands for first time

Paying respects: relatives of Argentine soldiers visit Darwin Cemetery. Below, Argentine prisoners in the Falklands in 1982. Many were woefully ill-equipped
Reuters; PA

London and Buenos Aires put aside differences to help identify Argentine victims

BENEDICT MANDER — DARWIN CEMETERY, FALKLAND ISLANDS

There were howls of grief as the families arrived at the Darwin Cemetery to mourn at the graves of their sons, brothers, husbands and fathers for the first time since they died in the Falklands war 36 years ago.

"Oh God! My son, where are you?" cried the first mother to enter the windswept graveyard, in which rows of 230 white crosses line the barren hills of the British archipelago in the South Atlantic, known as the Malvinas in Spanish.

More than 200 relatives of victims of the 1982 conflict flew from Argentina on Monday to pay their respects at graves until recently marked simply "An Argentine soldier known only to God".

The UK and Argentine governments worked with the Red Cross to identify 90 bodies over the past year with the help of DNA samples from their families — a sign that the relationship between the two former foes has thawed since President Mauricio Macri took power in Buenos Aires two years ago.

"Although we did not agree at first, today it was an exemplary day of union. Just as our brothers were one in battle, today it is our turn to unite," said Maria Fernanda Araujo, the president of the commission representing the families of the dead, referring to the deep-rooted mistrust that had at first hindered the operation.

Most agree that the event could not have happened without the UK and Argentina putting aside past differences in the wake of Mr Macri's election.

It was Cristina Fernández de Kirchner who requested the help of the Red Cross in 2012 after the issue was brought to her attention in a private meeting with rock star Roger Waters. But the former president maintained a belligerent stance over the Falklands right to the end of her presidency, hindering any reconciliation.

It was not until 2016 that an agreement was signed in Geneva to enable the identification of the dead, an operation complicated by the fact that many of the woefully ill-equipped Argentine soldiers were not given identification tags.

Some of the families also feared that the bodies of their loved ones might be exhumed and sent back to Argentina.

"They are not coming back to Argentina because they are already in Argentina . . . you can't repatriate what is already at home," Ms Araujo said after an emotionally charged ceremony on the islands some 300 miles off the coast of Patagonia.

Her point was driven home when some of the family members exclaimed during a group photograph: "Long live the fatherland!"

"This is about the application of international humanitarian law. It's a very good example of what can be achieved when it is possible to isolate specific humanitarian tasks from all other aspects," said Diego Rojas Coronel, who runs the Red Cross in Argentina.

It was the first time two states had come to an agreement of this kind with the Red Cross, which had carried out forensic work in recent years in the Balkans and the Middle East, he added.

"My boys are at last resting in peace," said Geoffrey Cardozo, a colonel in the British army who was responsible for burying the Argentine dead after the war and was crucial to the operation to identify the corpses. "They are no longer orphans because they are in the hearts of their parents and brothers and sisters. It is a great relief."

"We've waited far too long for this moment," said John Fowler, an editor at the local newspaper, Penguin News, as "The Lament" was played on the bagpipes. "I defy anyone not to feel pity for these families."

Kemerovo tragedy

Putin blames 'criminal negligence' for Siberia fire as protests erupt

MAX SEDDON — MOSCOW

Russia president Vladimir Putin blamed "criminal negligence" for a fire that killed 64 people as protests broke out in the Siberian city of Kemerovo.

Yesterday Russian media reported that thousands of people filled Kemerovo's central square, dominated by a statue of Lenin, to demand the resignation of local officials over Sunday's blaze. It was the deadliest in Russia in almost a decade.

But local residents claim the death toll could be even higher and blame local authorities of deliberately underestimating the number of people killed.

The scale of the tragedy and the authorities' ham-fisted response have laid bare the distrust ordinary Russians have for the government — even in places such as Kemerovo, where Mr Putin is overwhelmingly popular.

Aman Tuleev, Kemerovo's governor, has run the region with an iron fist for more than 20 years and regularly delivers vote totals rivalled only by authoritarian mini-states such as Chechnya. Mr Putin received 85 per cent of the vote in Kemerovo in this month's presidential election.

The president laid flowers at the Winter Cherry mall yesterday before holding an emergency meeting to discuss the fire. "What's going on here? This isn't a military conflict, it's not a sudden methane flare in a mine. People, children came to have fun. We talk about [falling] demography and we lose so many people. Why? Because of criminal negligence and delinquency!" Mr Putin said.

Investigators have arrested five people, including the mall's manager. Alexander Bastrykin, head of the Investigative Committee, an FBI-like body, said the mall had not fixed the alarm system when it broke a week before the fire. Mr Bastrykin added that security guards failed to unlock fire escapes or sound an emergency alarm before running away.

Mr Putin declared today a day of national mourning. The death toll is the largest from a fire since 156 people died in a nightclub in Perm in 2009, and the largest in Kemerovo since a mining accident killed 91 in 2010.

Mr Tuleev has not met victims' relatives or visited the mall. When he met Mr Putin, Mr Tuleev claimed that only 200 people were protesting and said he would do everything to stop the demonstrations.

"They're not related to the dead at all," said Mr Tuleev, whose 11-year-old niece died in the fire. "We are working with them, we're telling them, 'You can't do that, it's blasphemy, when there's a tragedy and you're trying to solve your own problems through that'."

Most of the protesters, who gathered at the square at 9am, stayed throughout the day and vowed that they would not leave until Mr Tuleev resigned.

Demonstrators said they thought local authorities were playing down the death toll to escape Mr Putin's censure. When Sergei Tsivilyov, Mr Tuleev's deputy, said 64 people had died, the crowd whistled loudly and accused him of lowering the true number.

At least 41 of the dead were children, Interfax reported, citing a list put up at the site of the fire by relatives of the victims.

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Compliance

HSBC freezes account linked to alleged $500m Angola fraud

MARTIN ARNOLD — LONDON
JOSEPH COTTERILL — JOHANNESBURG

HSBC froze an account connected to an alleged $500m fraud by the son of Angola's former president, according to people briefed on the matter, in a development the bank is hailing as a sign compliance systems are working.

The bank, which has a chequered record of money laundering and incurred heavy fines this decade, blocked the account at least some weeks ago and reported it to UK authorities, after the size and unusual nature of the transaction set alarm bells ringing.

Other banks have been scrambling to check if they handled money in the alleged fraud, since the emergence of the case involving José Filomeno dos Santos, who until January was head of Angola's $5bn sovereign wealth fund.

The alleged fraud involved money being siphoned out of Angola's central bank and paid into a corporate account at HSBC in the UK. The Angolan media reported the money was transferred from the central bank to the account of a front company.

Credit Suisse has discovered that fake documents purporting to be from the Swiss bank were used as part of the fraud.

The Swiss bank said the alleged fraud involved falsified documentation and it had not received any funds in relation to it.

Valter Filipe da Silva, a former governor of the Banco Nacional de Angola, had also been accused in the case, reported Angop, the Angolan press agency.

Mr dos Santos, who was removed as the sovereign wealth fund chief in January by his father's successor, João Lourenço, was on Monday formally accused of fraud. José Eduardo dos Santos, Mr dos Santos' father, ran the country with an iron grip for 38 years before stepping down in September.

HSBC did not hold an account in the name of Mr dos Santos and quickly filed a "suspicious activity report" with British authorities after the large transfer raised a number of anti-money laundering red flags, said one person briefed on the matter.

On Monday, the UK's National Crime Agency said it had frozen the $500m transfer earlier this year on suspicion of fraud and would be returning the money to the Angolan authorities through a process in the British courts.

HSBC has invested billions of pounds to sharpen its ability to spot financial crime.

The bank promised to tighten its controls as part of a $1.9bn settlement in 2012 to avoid criminal charges for allegedly laundering at least $881m for Mexican drug barons and handling transactions for countries under US sanctions, such as Iran, Libya and Sudan.

Maka Angola, a site run by an Angolan investigative journalist, reported in January that the alleged transfer took place last year.

It was part of a scheme involving a fictitious offer by international investors to lend to the Angolan government.

The investigation is the biggest escalation so far in a campaign by Mr Lourenço to eradicate the influence of José Eduardo dos Santos and his family over the state.

Before he stepped down last year, Mr dos Santos appointed his son and other children to state positions

José Filomeno dos Santos, left. A large transfer raised red flags with HSBC

Kim visit signals China fear of being sidelined in US talks

Experts say Beijing believes a bilateral Korea deal might clash with its interests

VIP: a motorcade believed to be carrying Kim Jong Un, below, travels through Beijing yesterday. It is assumed he met President Xi Jinping, bottom — Wu Hong/EPA

CHARLES CLOVER — BEIJING
BRYAN HARRIS AND SONG JUNG-A
SEOUL

Hours after an armoured train left Beijing for Pyongyang, the identity of the mysterious VIP who had visited China under tight security was revealed as Kim Jong Un, the North Korean dictator, who was making his first foreign trip since becoming leader in 2011.

The not-quite secret visit came as Mr Kim and President Donald Trump prepare for a possible summit after months of tension over the nuclear crisis on the Korean peninsula. China did not announce its guest in advance, but did not hide the fact that an important dignitary was in Beijing. It laid on a high-profile motorcade normally reserved for only the most important visitors.

While China did not release any details as Mr Kim was returning to North Korea yesterday after his two-day visit, it was assumed he had met China's President Xi Jinping, given the protocol surrounding the visits of Communist party leaders to China.

The visit came weeks after Mr Trump stunned the world by accepting an offer to meet Mr Kim. China welcomed the development, but the move also sparked concerns that Beijing could be cut out of the process.

If the North Korean leader met Mr Xi, it would mark his first meeting with a foreign leader. It could also herald a possible thaw in relations between Pyongyang and Beijing, which have become increasingly tense since the death of his father, Kim Jong Il, and his nuclear and missile tests.

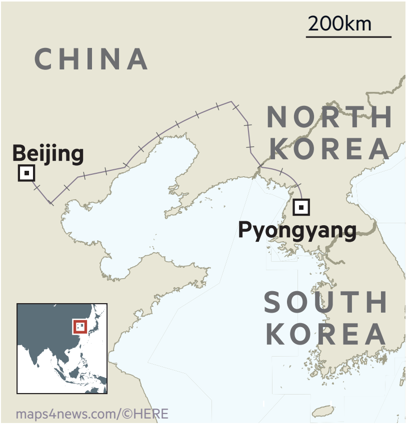
Lee Jong-nam, a North Korea expert at Korea University in Seoul, said Mr Kim's visit to Beijing underscored that both he and Mr Xi clearly felt a strong need to meet ahead of the mooted North Korea-US summit and a separate meeting between Mr Kim and Moon Jae-in, the South Korean president.

China and North Korea are formal allies, united by a 1961 mutual defence pact, though few believe it still holds after years of bitterness. Relations, already strained following China's recognition of South Korea a quarter of a century ago, have nearly collapsed in recent years as Beijing has followed the US lead in supporting multiple UN sanctions in an effort to press its neighbour to give up its nuclear weapons.

But Mr Kim's visit suggests that a dramatic improvement in relations could be on the cards. Foreign policy experts said Pyongyang was trying to patch things up with Beijing to end its isolation, while China was seeking Mr Kim's endorsement to sit at the table during any peace talks. They said China was also trying to gain leverage over Washington as trade relations with the US turn increasingly sour.

"Kim is fully aware that his negotiating power will be different when he has China's backing, especially when the US security team is full of North Korea hawks," said Ms Lee. "China also needs to dispel concerns over being overlooked in recent international diplomacy surrounding North Korea."

All news about North Korea was censored on China's internet starting at the weekend and Chinese officials refused to acknowledge the trip. But the motorcade that moved through the Chinese capital sent a clear message to Washington that Beijing was in the game.



"Kim's visit to Beijing demonstrates to all interested countries that China is a central player in north-east Asian geopolitics and that any solution on North Korea will need China's approval," said Dennis Wilder, a former top Asia adviser to George W Bush.

Some experts said that China, long a cheerleader for direct US-North Korea dialogue, may suddenly have felt left out of the bilateral talks announced by Mr Trump and worried that a separate peace between Washington and Pyongyang might take place at the expense of its own regional interests.

"China may want to get back into the game. Beijing didn't like the idea of being on the side lines," said Paul Haenle, head of the Carnegie Tsinghua Centre in Beijing.

"The Chinese are probably relieved that the Trump administration is not, at least for the moment, thinking about a military strike on North Korea, and that diplomacy is back in play," said Bonnie Glaser of the Center for Strategic and International Studies in Washington. "But, on the other hand, they probably feel they cannot protect their interests if they are not involved in some way."

Shi Yinhong of Renmin University said China wanted to "get from outside the process to inside the process".

China has made no secret that it would like to see any bilateral dialogue yield to a multilateral dialogue which it could host as the six-party talks, Beijing's favoured format for a resolution of the North Korean crisis, said Cui Zhiying, a North Korea expert at Tongji University in Shanghai.

Additional reporting by Emily Feng and Sherry Fei Ju in Beijing

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Consumer prices. Poll countdown

Brazil boosted by inflation dip and record low rates

Politicians hope voters will benefit from an improving economy before election

JOE LEAHY — SAO PAULO

At a street market in São Paulo, domestic helper Maria Ferreira da Silva complains about the price of vegetables in Brazil's largest city.

"Before potatoes were R$2 but now you won't buy them for R$3 or R$4 a kilo, double the price," she said.

She concedes, however, that the price of some other Brazilian food staples, such as rice and beans, has fallen. Indeed, while ordinary Brazilians — hit by recession, unemployment and past inflation — may not be feeling it, economists say Brazil is experiencing one of its most benign moments for consumer price rises in years.

In March, the mid-month consumer prices index, the IPCA-15, rose 0.1 per cent compared with a month earlier. It was the lowest rate for March in 18 years. The subdued inflation has emboldened the central bank to slash interest rates to record lows, fostering hope among analysts that Brazil's economy may be entering a prolonged burst of growth without overheating. This would be a rare moment for Brazil — Latin America's largest economy has traditionally struggled with inflation, which in the early 1990s reached rates of nearly 5,000 per cent a year.

"Maybe we'll go through an extended period of lower inflation and therefore lower than expected interest rates," said Tony Volpon, an economist with UBS in São Paulo. "This is not going to be a 'forever' change but it is going to last for a long time."

The easing in prices could not have come sooner for consumers or the government of Brazil's centre-right president, Michel Temer, which is facing elections in October. With the country suffering its worst recession in history in 2015 and 2016, unemployment hit a high of more than 13 per cent.

Since peaking at nearly 11 per cent in early 2016, the month-end IPCA index fell to 2.84 per cent year on year in February — below the bottom of the central bank's target band of 4.5 per cent, plus or minus 1.5 percentage points.

This has enabled the central bank to cut its benchmark Selic interest rate 12 times in less than 18 months. Last week, it cut the Selic again by 25 basis points to 6.5 per cent and signalled a further reduction in May. The cuts are lifting the mood in São Paulo's capital markets. "Because of the recession and still high unemployment, there is space for significant growth with historically low interest rates," said Rogério Pessoa, head of wealth management at investment bank BTG Pactual.

Economists are divided on how long the benign inflationary environment will last. UBS's Mr Volpon said while Brazil had its own idiosyncrasies,

> 'Don't think we have slain the dragon of inflation forever because part of it is cyclical, not structural'

advanced economies experienced prolonged periods of low inflation with growth after the great financial crisis.

"We have seen similar things happen in other economies that suffered great recessions, so maybe there is an analogy here," Mr Volpon said.

Some reforms undertaken by the Temer government, such as changes to make labour law more flexible, could also contribute to reducing inflationary pressure in the economy, he said. Others, however, said the situation was cyclical. Many aspects of the Brazilian economy were still indexed to historical inflation, such as the minimum wage, said Goldman Sachs economist Alberto Ramos. This meant that when inflation was high, the indexing kept it high. But when inflation was low, the indexing acted in reverse and kept it low. He said the effects of the recession and unemployment had combined with strong harvests to push prices down.

"Don't think we have slain the dragon of inflation forever because part of that is just cyclical rather than structural," Mr Ramos said. "Part of that is a reflection of food prices . . . and part of that is also a reflection that we also have a huge amount of slack in the economy."

Whether all of this will translate into much stronger economic growth remains to be seen. The economy grew just 1 per cent last year. Economists surveyed by the central bank were predicting growth of under 3 per cent this year.

For the country's established political classes, the hope is voters will start to feel some of the positive effects before the poll. The recession, collapsing public services and corruption scandals have boosted political "outsiders", such as far-right presidential candidate Jair Bolsonaro, analysts said.

Additional reporting by Carina Rossi in São Paulo

Cyber security

Beijing curbs hackers as state grip tightens on technology

LOUISE LUCAS — HONG KONG

China's spy agency has ordered local hackers to abstain from global hacking contests and instead report vulnerabilities to the security ministry or affected company, according to cyber experts, as Beijing seeks to tighten its control over technology and information.

The guidance from the ministry of state security, which comes as China is taking an increasingly isolationist approach to technology, was aimed at boosting its stash of intelligence, experts said.

"Clearly this is about local control," said Christopher Ahlberg, co-founder and chief executive of US-based cyber intelligence firm Recorded Future. "Vulnerabilities could be problems in software but are also an opportunity to get backdoors into them."

The move is the latest bid by China to secure control of technology and information.

It follows initiatives such as Made in China 2025 — a scheme to restructure China's industrial policy — and last year's cyber security law, which requires foreign companies to store data locally and allow data surveillance by China's security apparatus.

The guidance also eliminates some of the main players from what has become a globally popular way of discovering vulnerabilities, so that vendors can fix them before cybercriminals jump in.

Tencent Keen Lab, part of Chinese technology titan Tencent, prompted Tesla to fix vulnerabilities after hacking into its cars.

Chinese hackers have also been credited with discovering vulnerabilities at US-based tech multinationals including Google, Apple and Microsoft, according to FireEye, a cyber security company.

Tencent did not respond to a request for comment.

While no formal edict has been issued on relevant Chinese state websites, Chinese participants were absent from the annual Pwn2Own hacking contest this month in Vancouver and the Black Hat event in Singapore last week.

"They've been given guidance that they should no longer participate in events where vulnerabilities are publicly disclosed," said Bryce Boland, chief technology officer at FireEye.

The state security ministry has already offered clues on its stance with its national vulnerability database of known vulnerabilities in different software products.

Analysis by Recorded Future showed it had altered publication dates for at least 267 vulnerabilities — a lag, the group said, that highlighted identities the ministry was "likely considering for use in offensive cyber operations".

Cronyism claims

Japan land scandal official refuses to implicate Abe

ROBIN HARDING — TOKYO

The official at the heart of a cronyism scandal engulfing Shinzo Abe's government has insisted that the Japanese prime minister and his aides did not order him to falsify documents.

Nobuhisa Sagawa, an ex-finance ministry bureaucrat, said the decision to alter documents about a sale of public land was made by his staff alone. He said there were no orders from Mr Abe, his wife Akie Abe, finance minister Taro Aso or any of the prime minister's aides.

But in a testimony to the upper house of parliament, Mr Sagawa declined to say anything about why the documents were falsified, pleading his right to avoid self-incrimination. "There is a risk of criminal charges so I decline to comment," he said repeatedly.

On the surface, Mr Sagawa's refusal to implicate Mr Abe is good news for the prime minister. But the official's failure to answer questions means the scandal will continue to tarnish his government.

A recent poll by the Nikkei newspaper showed the government's approval rating had fallen to 42 per cent, down 14 percentage points from February.

This month, the finance ministry admitted falsifying numerous documents it had submitted to parliament. The documents related to the cut-price sale of public land to Moritomo Gakuen, an ultra-nationalist school operator.

The documents were changed to omit mentions of Mr and Mrs Abe. She was going to be honorary principal of a new primary school on the site, which was sold for ¥134m ($1.28m) despite having an appraisal value of ¥956m.

Opposition leaders rounded on Mr Sagawa, saying he had failed to explain anything, and repeated their demands for Mrs Abe to testify.

"His completely insincere answers have only deepened our suspicions,"

Nobuhisa Sagawa repeatedly declined to comment on why documents had been falsified

said Tetsuro Fukuyama, secretary-general of the opposition Constitutional Democratic party of Japan.

"Despite refusing to testify about the details, the one thing he can do is disavow the involvement of the prime minister's office," said Mr Fukuyama. "It's completely illogical."

Mr Abe has always insisted he had nothing to do with the land sale and so far there is no evidence to show otherwise. But the seeming cover-up has done enormous damage to his government.

Analysts doubt Mr Abe will step down but the list of unanswered questions means the crisis is likely to linger.

Economic engine

Vietnam puts more emphasis on growth from private sector

JOHN REED — HANOI

Vietnam aims to generate half of its economic output from the private sector within two years, its prime minister said, giving a clear indication of the communist-ruled country's determination to make private enterprise the main engine of its economy.

Nguyen Xuan Phuc also said that Vietnam, bolstered by new trade agreements and improved conditions for businesses, was set to surpass its gross domestic product growth rate of nearly 7 per cent last year, and maintain this momentum for "many years to come".

"The private sector is an important impetus for the economy of Vietnam," said Mr Phuc. "We will try to put in place the most favourable policies and create the most favourable environment so that by 2020 we will have in operation over 1m businesses accounting for 50 per cent of Vietnam's GDP." This compares with 43 per cent today.

Vietnam's export-driven economy grew 6.8 per cent in 2017, one of the strongest showings in south-east Asia.

"We hope that the growth figure of this year will exceed that of last year, and [we] will sustain that figure through at least 2020 and maintain that impetus for subsequent years," Mr Phuc said. "In order to attain this, we will try to maintain favourable conditions for businesses, healthy environment for businesses and further international integration, especially support for private sector and nurture innovation so that we can enhance GDP growth for many years to come."

Since taking office in 2016, the Vietnamese prime minister has sought to reduce the role of the state-owned enterprises that until recently dominated its economy, disposing of stakes in food and drink, oil, and power generation companies.

In a record-setting sell-off in December, a consortium led by Thailand's Thai Beverage bid $4.8bn to acquire a controlling stake in Sabeco, the country's largest brewer.

In February the country said it had set up a committee to oversee $220bn worth of state-owned assets as part of its drive to speed up privatisation.

Vietnam's government is also banking on new trade agreements, including the pact between 11 Asia-Pacific countries signed in March after President Donald Trump withdrew the US from the proposed Trans-Pacific Partnership.

Members of the new grouping, called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), have said they were open to the US — Vietnam's largest export market — joining in future, and Mr Phuc said that he hoped it would.

White House

Trump fails to lure top lawyers to take on Mueller

Talented counsel appear reluctant to attach names to brash former TV star

KADHIM SHUBBER — WASHINGTON

US presidents have not typically struggled to find lawyers to represent them — but Donald Trump is not a typical president.

In the past week, he has lost his lead personal counsel in Robert Mueller's Russia investigation and had to backtrack on hiring two new attorneys to handle the probe after they cited conflicts of interest.

The departure of John Dowd and the failure to hire Victoria Toensing and Joseph diGenova have left Mr Trump's legal team weakened as the investigation into alleged Russian interference in the 2016 election heads towards a potential interview with the president.

Mr Trump has taken a more combative approach to the investigation in recent weeks, but he has struggled to bolster his defence as top lawyers have declined to attach their names to the brash former reality TV star.

"Normally it would be a very beneficial thing to be identified with the president, but if you look back, pretty much everybody who gets involved with him at the end of the day is diminished," said Robert Bennett, a senior counsel at Hogan Lovells and respected Washington lawyer who represented Bill Clinton in the Paula Jones harassment case.

More importantly, Mr Bennett added, "it seems pretty clear that he doesn't listen to his lawyers".

Theodore Olson, the former solicitor-general under President George W Bush, turned down an offer from Mr Trump. Mr Olson, now a partner at Gibson Dunn, told MSNBC on Monday that the "chaos" in the White House was "beyond normal". He declined to comment further.

Dan Webb and Tom Buchanan, top white-collar crime defence attorneys at Winston & Strawn, declined an offer to represent the president due to "business conflicts", the firm said on Monday.

Other lawyers reportedly approached include Mr Bennett and Emmet Flood, the Williams & Connolly partner who worked for Mr Clinton and Mr Bush. Both declined to comment on the offers.

Mr Trump has denied having difficulty finding counsel. "Don't believe the Fake News narrative that it is hard to find a lawyer who wants to take this on. Fame & fortune will NEVER be turned down by a lawyer," he tweeted.

Jay Sekulow, a constitutional lawyer and radio show host with a history of working on religious cases, is now heading Mr Trump's personal legal team as Mr Mueller investigates allegations of obstruction of justice and collusion with the Russians.

'Pretty much everybody who gets involved with him at the end of the day is diminished'

"Sekulow is a brilliant constitutional lawyer but he has no particular expertise in criminal law, and that would concern me," said Solomon Wisenberg, a partner at Nelson Mullins, who served as deputy counsel in Kenneth Starr's investigations into Mr Clinton in the 1990s. "You want a consigliere there that has deep white-collar experience."

Mr Wisenberg added that top firms were probably turning down Mr Trump because they were "worried about what some of their clients will say".

The search for new counsel has accompanied a more aggressive posture by Mr Trump towards Mr Mueller and his investigation.

Earlier this month, he singled out the special counsel by name for the first time on Twitter as he reiterated his claim that the investigation was a politically motivated "witch hunt".

"The Mueller probe should never have been started in that there was no collusion and there was no crime," he tweeted. The president made the comment a day after Mr Dowd said Mr Mueller's investigation should be shut down. Days later Mr Dowd resigned.

Mr Dowd joined Mr Trump's team last year to lead his defence in the Russia investigation after Marc Kasowitz, the president's longtime personal attorney, stepped aside.

Mr Dowd reportedly advocated that Mr Trump avoid an interview with Mr Mueller because it would be too risky. But the president has said: "I would love to do that. I'd like to do it as soon as possible." Mr Dowd declined to comment. The White House did not return a request for comment.

Mr Trump's criticism of the special counsel reflected a more "aggressive legal approach" than he has previously adopted, said James Schultz, who was a senior associate counsel in the White House working on ethics and financial disclosure matters. "He's frustrated that this thing has . . . been drawn out too long," said Mr Schultz.

Middle East. Stability push

Iraq faces daunting task to rebuild ruined economy

Alleviating poverty viewed as vital to boost investment and slow Isis recruitment machine

ERIKA SOLOMON — BAGHDAD

Market share: a fruit and vegetable stall in Baghdad. Streets are filling with shoppers again
Ahmed Jalil/EPA-EFE

The gruelling, three-year battle to wrest Iraqi territory from Isis is drawing to a close but a tougher challenge may have just begun: repairing a shattered economy.

Iraq has suffered waves of violence and insurgency since the 2003 US invasion, and politicians and businesses say the government's ability to address joblessness and poverty, improve the poor delivery of services and tackle corruption will be critical to ensuring stability.

"Investment and security go together," said Daoud al-Jumaili, head of the Iraqi National Business Council. "When we get the economy moving and combat unemployment, that is when people look to rebuild their lives instead of looking to fight."

Violence in Baghdad, the capital, is at its lowest level since 2009, according to local media, and streets and restaurants are full of people eager to go out as a mood of optimism sweeps the country.

Opec's second-biggest oil producer also has the potential to attract foreign investors. Its population of 40m makes it one of the biggest consumer markets in the Arab world and the government plans to spend tens of billions of dollars on reconstruction.

"This [Iraq] is the biggest thing in the Middle East if you look at it from the point of view of investment fundamentals," said one western diplomat in Baghdad. "You can't afford to ignore something like that if you're [investing] in the region."

But analysts warn that opportunity to attract investment is decreasing as Iraqis gear up for elections in May that will hint at the direction the country is taking. The war on Isis has destroyed swaths of the country, 2m people are displaced and tens of thousands of young men who joined militias and fought Isis have no jobs. The economy expanded 11 per cent in 2016 but that was a one-off and largely the result of a 25 per cent increase in oil production, and the figure last year was zero. It is forecast to expand 2.9 per cent in 2018, according to the IMF.

More than a fifth of the population lives in poverty, a figure that doubles in areas that fell under Isis control. Without a sustained economic recovery, disgruntlement could fuel a militant recruitment bonanza, analysts warn.

"Iraq now is at a high water mark . . . That won't last more than a few months if it isn't consolidated and built upon," said Elizabeth Dickinson, an analyst at the International Crisis Group. "Iraq can't do that without diversifying its base of allies and investors."

The challenges are clear in places such as Ramadi, a desert city west of Baghdad that Isis seized in 2015 and held for more than a year. Newly planted flower beds and repainted buildings try to mask the damage from one of the most destructive battles against the jihadis. But Ibrahim al-Janabi, the district governor, and other officials fret about the thousands of jobless still living in tents next to the rubble that was once their homes.

"Think of the young man sitting around with no money, no home, and no job," Mr Janabi said. "It seems impossible he's not going to start looking for someone to blame." Isis militants still roamed the desert beyond the city limits, he warned.

Even without security concerns, Iraq's task is daunting. It must trim a bloated bureaucracy that employs more than a third of the population.

There are complaints that many politicians, even Haider al-Abadi, the prime minister who is seeking a second term, have stalled on taxes and reforms that could risk losing votes ahead of May polls. Such hesitance may have hurt efforts to attract funding at a recent reconstruction conference in Kuwait, businessmen and diplomats say. Instead of getting the $88bn in donations or promises of investment hoped for, Baghdad received pledges of $30bn, mostly in loans.

'We have to pick an identity: are we a socialist or a capitalist state?'

Businesspeople and diplomats air frustration that Mr Abadi's team ignored advice to draw up a shortlist of about 10 projects and present detailed plans to streamline business regulations to help investors register. Instead, officials brought a general list of more than 150 potential projects. "They don't want to cut back because each of those investment areas has potential voters," said an Iraqi businessperson.

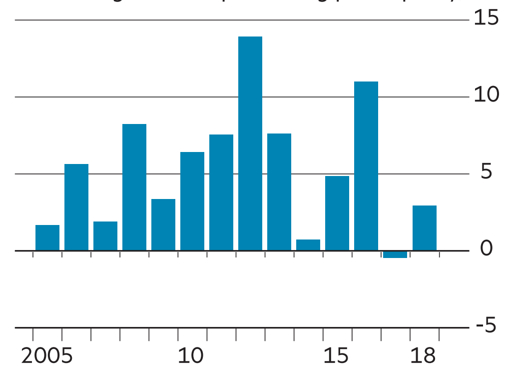
Iraqi businesspeople also point to a lingering legacy of the Ba'athist system in which the state owns most of the land and is involved in many industries. The government's sense of competition, if not disdain, towards the private sector also hits investment, they said.

"We have to pick an identity: are we a socialist or a capitalist state?" said Zeinab al-Janabi, a businessman.

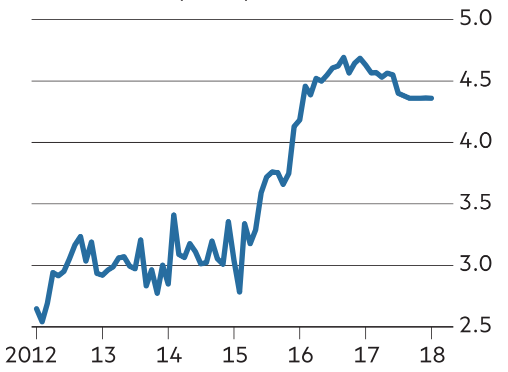
"If you want approval for a project, you have to climb a really tall ladder, and it's possible that after all that you end up back at zero."

Many also recall moments of optimism dashed by renewed violence. But there is still hope. "There is a path where Iraq makes the changes needed to avoid this same cycle Iraq has been in," said a diplomat. "It's not necessarily likely, but there is hope."

Iraq's economy is expected to grow 3 per cent this year
Real GDP growth (at purchasing power parity, %)



Oil production has stabilised
Iraq's crude oil production (million barrels per day)



Source: The Conference Board

Investor sentiment

Rating agency refuses to end S Africa junk status but doubles growth forecast

JOSEPH COTTERILL — JOHANNESBURG

S&P has doubled its growth forecast for South Africa this year but the rating agency warned that it was a long way from lifting the continent's most industrialised nation out of junk status.

Gardner Rusike, an analyst at the agency, told a conference yesterday that S&P forecast that the economy would expand by 2 per cent in 2018 as investor confidence had improved since Cyril Ramaphosa replaced Jacob Zuma as president.

Mr Ramaphosa, who took over as head of state in February after the ruling African National Congress forced Mr Zuma to resign, has vowed to fight corruption and appointed technocrats to important financial ministries and state entities. But Mr Rusike said the government still had to do more to accelerate growth in a country blighted by 27 per cent unemployment and widespread poverty.

"We are now probably in a good situation that supports our stable outlook, but we are not yet anywhere near going upwards as far as the rating is concerned," Mr Rusike said. "It is up to South Africa to continue with reforms that have been initiated, and the realisation of those reforms is what can be supportive to a higher rating path."

S&P and Fitch downgraded South Africa to junk status last year after Mr Zuma shocked markets by sacking Pravin Gordhan, his then finance minister, in a move widely interpreted as the former president seeking a more pliable hand in charge of the state's coffers. S&P rates South Africa's foreign currency debt at BB, two notches below investment grade.

Mr Zuma's eight years in office were characterised by scandals, corruption allegations and stagnant growth.

The economy grew 1.3 per cent last year as it exited its second recession in almost a decade.

Confidence has improved since Cyril Ramaphosa took over as president

"After four years of zero per capita GDP growth, a pick-up to 1 per cent is not hard to achieve," said Charles Robertson, global chief economist at Renaissance Capital. "It will be driven by investment as corporate confidence grows now that Zuma is gone, and domestic demand supported by a stronger rand."

Mr Ramaphosa has appointed Mr Gordhan to his cabinet to oversee state companies, and named Nhlanhla Nene, another finance minister fired by Mr Zuma, as his Treasury chief.

But analysts caution that the president faces a daunting task in his efforts to boost economic growth to the levels needed to address yawning inequalities in the country. He also has to manage bitter divisions within his own party as he attempts to push through urgent restructuring of state-owned companies, such as Eskom, the power monopoly, whose finances were badly mismanaged during Mr Zuma's presidency.

Many Zuma allies retain senior positions in the cabinet and the ANC is desperate to put on a united front ahead of parliamentary elections in 2019.

Moody's, the last remaining of the main three credit rating agencies to retain South Africa above junk, said last week it would maintain its rating, and raised its outlook for the country to stable. A downgrade by Moody's would have pushed South Africa's bonds out of widely-followed investment indices, raising its borrowing costs.

Legal action

California to fight question on citizenship in US census

SAM FLEMING AND BARNEY JOPSON
WASHINGTON

The Trump administration has provoked threats of lawsuits and a backlash from senior Democrats after deciding to reinstate a controversial question about citizenship status in the next US census.

The US Department of Commerce, which oversees the Census Bureau, said late on Monday it would bring back the citizenship question, in defiance of warnings that doing so would deter millions from participating in the count.

Xavier Becerra, California's attorney-general, said after the announcement he would be taking legal action against the move, which he described as unlawful.

Eric Holder, the former attorney-general under Barack Obama and present chairman of the National Democratic Redistricting Committee, said he would also litigate to stop what he described as "a direct attack on our representative democracy".

Critics ranging from Democratic officials to immigrant activists have warned that asking people about their citizenship would lower the response rate among immigrant and minority groups, and have harmful political, economic and commercial implications by making the resulting census data inaccurate.

Any problems with the numbers in the census, which is mandated under the constitution, will reverberate for at least 10 years until the next big count. Census data are crucial for decision makers working on everything from the drawing of electoral boundaries to the allocation of education funding and the location of supermarkets.

The US Conference of Mayors said in a recent letter to Wilbur Ross, commerce secretary, that the citizenship question would "increase the burden on respondents, heighten privacy concerns . . . and lower participation by immigrants who fear that the government will use the information to harm them".

In an op-ed in the San Francisco Chronicle published before the commerce department's decision, Mr Becerra said that adding the citizenship question would be "an extraordinary attempt by the Trump administration to hijack the 2020 census for political purposes".

Democrats fear an undercount of immigrants and minorities could dilute their electoral weight. A group of 19 Democratic attorneys-general told Mr Ross this month that including the question would be unconstitutional.

"This question will lower the response rate and undermine the accuracy of the count, leading to devastating, decade-long impacts on voting rights and the distribution of billions of dollars in federal funding," said Mr Holder.

However, in a memo on the decision, Mr Ross said the department had not received evidence that the response rate would indeed suffer a material decline. The commerce department said that including the citizenship question would aid the enforcement of the Voting Rights Act, which seeks to protect the rights of minority voters.

"After a thorough review of the legal, programme and policy considerations, as well as numerous discussions with the Census Bureau leadership and interested stakeholders, I have determined that reinstatement of a citizenship question on the 2020 decennial census is necessary to provide complete and accurate data in response to the [Department of Justice] request," said Mr Ross.

Activist state attorneys-general page 9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Adelaide
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Canberra
Sydney
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Enjoy even more incredible experiences in our newest destination, Canberra, our fifth gateway in Australia along with Melbourne, Perth, Sydney and Adelaide. From unspoiled nature to cultural attractions, Australia has an abundance of spectacular sights and epic adventures to discover.
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GOING PLACES TOGETHER

Verdi served red-hot — and contemporary

OPERA

Macbeth
Royal Opera House, London
★★★★☆

Richard Fairman

Three years can be a long time in opera. The last time we saw Anna Netrebko at the Royal Opera it was as Puccini's Mimì, sweet, touching, vulnerable. Now she is back as a Lady Macbeth who could put the fear of God into anybody sitting in the stalls, and probably right to the top of the theatre.

It can be difficult fitting a star singer into an existing production. One of the best things about Netrebko's return is the sheer, red-blooded dramatic guts she injects into Phyllida Lloyd's 2002 production of *Macbeth*, as vital a component of Verdi's opera as it is of Shakespeare's original tragedy.

It was clear from the beginning of her career that the young Netrebko had a uniquely promising voice, but even she might be surprised to hear the volume she is pumping out now. Her Lady Macbeth is three hours of unstinting, no-holds-barred singing. Taken at full throttle, there are some ungainly corners, but Netrebko's soprano has retained its plush upholstery of sound, where many Lady Macbeths sound threadbare or steely.

The long curly black wig makes her look like one of Hollywood's grandes dames, and there is something of cinema's golden age about her larger-than-life melodrama. But make no mistake: this is a knock-'em-dead performance.

Željko Lučić does well to keep up with her as Macbeth. He is not the most individual of singers in his shaping of Verdi's music, but he has grown in vocal strength, and captures both the blunt force of a man destined for a bloody end and the fog in his mind as he tries to understand the course he is on. Ildebrando d'Arcangelo is a firm, implacable Banquo and it is good to hear a genuine Italian bass in the role. Tenor Yusif Eyvazov (Mr Netrebko in real life) makes his Royal Opera debut, singing with penetrating force as Macduff.

Two singers from the Jette Parker Young Artists programme, Konu Kim and, for a few beautifully-turned phrases, Francesca Chiejina make their mark as Malcolm and the Lady-in-Waiting. With Antonio Pappano and the Royal Opera orchestra stirring up a cauldron of red-hot music-making down in the pit, this is a *Macbeth* that is always on the boil.

Lloyd's gloomy and thought-provoking staging has found the murderous pair that the witches must always have intended for it.

To April 10, roh.org.uk

Knock-'em-dead: Željko Lučić and Anna Netrebko in 'Macbeth'. Right: Michael Volle as Falstaff
Bill Cooper; Matthias Baus

MORE OPERA ONLINE
Shirley Apthorp reports on Amsterdam's Opera Forward festival
ft.com/arts

OPERA

Falstaff
Staatsoper Unter den Linden, Berlin
★★★☆☆

Rebecca Schmid

In his role debut as Falstaff, the baritone Michael Volle is a thug who inhabits the graffitied courtyards and abandoned industrial spaces of Berlin. The ladies of Windsor who conspire to dupe the fat knight, meanwhile, lounge at a spa.

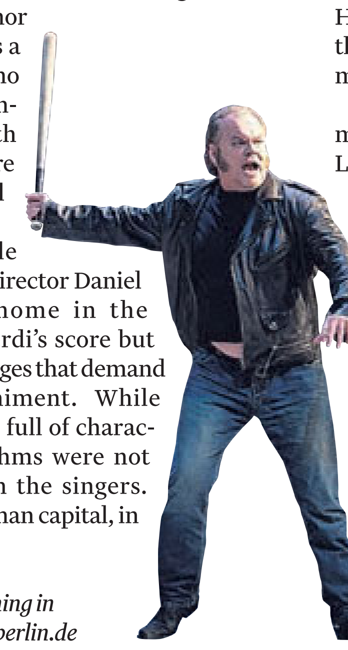
The contrast underscores a social divide that the director Mario Martone, in his new production for the Staatsoper's annual Festtage, associates with present-day Europe. Falstaff, the semi-autobiographical title character of Verdi's final opera, is an outsider who can only laugh at a society that mandates economic exploitation.

Sets by Margherita Palli create a vivid, contemporary feel through details such as a sign for the Panorama Bar (of the famed Berlin club Berghain) and a swimming pool into which Nanetta pushes a fully-clothed Fenton. Scene changes in the first two acts lasted so long on opening night, however, that one wondered if the recently re-opened house was struggling to master its computer-controlled stage machinery.

Act Three, set at an underground club where the mythic creatures gathered to scare Falstaff appear in scanty, faux-leather attire, more easily immerses the viewer (costumes: Ursula Patzak).

Volle brings the right touch of farce, masterly dynamic shadings and clear enough Italian diction to the role but does not steal the show. Soprano Barbara Frittoli becomes one with the character of Alice Ford through luscious, floating tones and the natural strut of a scheming manipulator, while Alfredo Daza brings a resonant baritone and biting bourgeois caricature to Ford.

Daniela Barcellona's rich, grounded mezzo makes for a commanding Mistress Quickly. Tenor Francesco Demuro is a seductive Fenton, who wins the hand of Nanetta, performed with youthful, sweet timbre by the bikini-clad Nadine Sierra.



The Staatskapelle Berlin under music director Daniel Barenboim is at home in the sweeping lines of Verdi's score but heavy-footed in passages that demand buoyant accompaniment. While the woodwinds were full of character, chattering rhythms were not always in sync with the singers. A *Falstaff* for the German capital, in all senses.

To April 28, then returning in December, staatsoper-berlin.de

JAZZ

Steve Gadd Band
Ronnie Scott's, London
★★★★☆

Mike Hobart

The applause that greeted the Steve Gadd Band as they walked on stage would lead most bands back for an encore. Gadd's session credits border on the legendary (Frank Sinatra, Aretha Franklin), but at this gig the acclaim recognised the drummer who stripped down jazz and funk to usher in a fresh approach to rhythm in the 1970s.

This performance, the first in a week-long residency, presented a new keyboard player, Kevin Hays, and material from the band's self-titled fourth CD. The execution, though sometimes low-key, was flawless.

The set opened with echoing Fender Rhodes and a mystery-laden theme. "Whose Earth" eventually snapped into a chronology of funky grooves before returning whence it came. Bassist Jimmy Johnson's soca-inflected "I Know But Tell Me Again" followed. The bridge changed key, there were across-the-beat stabs and a brief drum solo drew mighty applause.

The band's pristine sound, minimalist lines and effortless control of rhythm reflect the leader's approach to drums. Walt Fowler's sparse phrasing on muted trumpet and flugelhorn delivers strong moods, while guitarist Michael Landau propels the pulse with subtle picks and a few harsh stabs. Even the usually florid Hays keeps his lines in check. And though only Gadd is a true stylist, each musician has a personal voice.

This came out best in the established material sprinkled into the set. Landau's "The Long Way Home" brooded with muted trumpet, while "Blues for Da Da Da" uplifted a classic form with stinging guitar and Hays's daring acoustic piano.

Not that the new material is under par. "Foameopathy" delivered an astute blend of heavy groove and floaty jazz; the romantic waltz "Spring Song" featured a knockout solo from Hays. The evening closed with the bar-room shuffle of Bob Dylan's "Watching the River Flow". More was demanded, but the encore had been built in.

To March 31, ronniescotts.co.uk

All-singing, all-dancing collaboration

DANCE

Dutch National Ballet
Nationale Opera & Ballet, Amsterdam
★★★★☆

Laura Cappelle

Ballet's flings with pop music tend to feel contrived, not least because the physical languages of classical dancers and singers is so different. Enter choreographer Annabelle Lopez Ochoa and Dutch singer-songwriter Wende Snijders. The two share an intensity that bridges the gap between their art forms in *Last Resistance*, their collaboration for Dutch National Ballet. Lopez Ochoa is one of the few A-list female choreographers in ballet; Snijders, whose stage name is Wende, is well known in the Netherlands for a catalogue spanning covers of French chansons and art-rock ventures.

She is also a consummate performer with a gift for dance, and *Last Resistance* exploits it to the full. While her band played at the back, Snijders stalked the stage among the dancers, jolts of electric movement shooting through her. Lopez Ochoa surrounded the singer with a cast of 32, who took turns shielding, echoing, even goading her; at one point, Snijders pushed back against them with a growl.

Lopez Ochoa channelled the ferocity of some songs with assertive choreographic strokes: "Devil's Pact" launched dancers across the stage in stirring waves. Where Snijders occasionally overpowered the choreography was in softer numbers. There is something PJ Harvey-esque in her defiant vulnerability and the raw edge of her vocals, with which ballet's linear beauty can't quite compete.

Last Resistance closed Dutch Doubles, a well-crafted programme pairing Amsterdam-based choreographers with local composers or designers. Earlier, a new name to watch, Wubkje Kuindersma, made a splash with *Two and Only*, set to songs by Michael Benjamin. Musical and never sappy, this duet for two men, Marijn Rademaker and Timothy van Poucke, portrayed emotional intimacy with a light touch. The piece held its own next to a wry pas de deux by Dutch master Hans van Manen, *Déjà vu* — no small achievement for Kuindersma.

Dutch Doubles opened with another world premiere, Ernst Meisner's *Impermanence*. The female dancers' solo turns had texture and individuality, with Maia Makhateli alongside the young Salome Leverashvili a highlight, but too often the choreography receded into anonymous neoclassical territory. Still, *Impermanence* had a captivating new score by harpist and composer Remy van Kesteren. The ballet world could learn from Dutch Doubles: here is one way to do prestige collaborations right.

Dutch Doubles to April 15, operaballet.nl

Electric movement: Wende Snijders, right, in 'Last Resistance' — Hans Gerritsen

THEATRE

Black Men Walking
Royal Court (Upstairs), London
★★★★☆

Sarah Hemming

The title is not a trick — this is indeed a play about black men walking. Inspired by a real-life hiking group in Sheffield, who meet once a month, this new work by the rapper and theatre-maker Testament focuses on three walkers. They set off as usual, boots on feet and packs on backs, to trek the rugged Peak District. But as they stride out, it becomes clear that on this particular outing each of them has brought more baggage with them than just the snacks and drinks in their knapsacks.

Richard (Tonderai Munyevu), the youngest, works in IT and is walking out his rage that his family expect him to pay for his estranged father's funeral in Ghana. Matthew (Trevor Laird), a middle-class, middle-aged doctor, is trying to escape a marital crisis. Thomas (Tyrone Huggins), the oldest, is a frustrated historian who has been stuck in a dead-end job all his life. Weary and troubled, he is searching for connection with black ancestors who walked the roads of Britain many centuries before.

Through the personal problems the men are facing, this rich and witty short play touches on buried areas of black history in Britain, on the distance travelled and on issues facing black British citizens today. In a work about belonging, the very act of walking the terrain becomes symbolic. But then the men stumble upon a young woman (Dorcas Sebuyange, excellent), who is seeking solitude to recover from the racist abuse she suffered the night before. She challenges their assertion that by walking the land they are affirming their right to be there: for her, such tranquil activity lacks political impact or muscle.

Seasoned walkers might note that the piece is carrying a bit more weight, thematically, than it can comfortably handle. They might also raise eyebrows at the prospect of experienced hikers ignoring weather warnings and striking out without a map or a phone (all mistakes necessary to drive the plot).

Still, this is an original and penetrating piece, shifting in style from comic exchanges, to lyrical introspection, to choral refrains and passages of rap. Fine performances from Huggins, Laird and Munyevu sculpt out the differences between the men, but also the camaraderie of walking together. And in Dawn Walton's dynamic staging (a co-production between Eclipse Theatre Company and Manchester Royal Exchange), they walk constantly — up and down, forward, on the spot, round in circles: a quietly effective metaphor.

To April 7, royalcourttheatre.com

FT BIG READ. NORTHERN IRELAND

The threats to the era of 'civility'

The impact of Brexit on the region is about much more than the border. The vote to leave the EU could undermine the 20-year-old Good Friday Agreement and weaken support for political institutions.

By Arthur Beesley

A peace mural on the Newtownards Road in Belfast — Paul Faith/AFP

Don Reddin recalls driving buses in some of the worst moments of Northern Ireland's Troubles, passing lonely border crossings in the late hours "wondering, worrying, seeing strange movements, [asking] what's that about, going through army checkpoints". It is an experience the bus company owner would rather not revisit. "Nobody in their right mind wants to go back to them days."

The grim cycle of violence that claimed more than 3,600 lives in 30 years finally came to an end after the Good Friday peace pact of 1998. The deal aligned London and Dublin behind power-sharing in Northern Ireland between largely Protestant unionists, who want to preserve Northern Ireland's place in the UK, and largely Catholic nationalists and republicans, who want it to join the Irish Republic.

But 20 years after the Good Friday Agreement was signed, this most delicate of settlements is looking more fragile than ever amid fundamental tensions between opposing political creeds.

The 2016 vote by the UK to leave the EU has only sharpened divisions that never healed after the peace deal. The joint government collapsed 14 months ago after a public spending scandal and the Democratic Unionists and Sinn Féin, respectively the dominant pro-British and pro-Irish parties in the region, cannot agree to restore it.

The parties are divided over a range of policy questions, but it is the Brexit vote that has changed the dynamic. London and Dublin are at odds over the UK's withdrawal from the EU, undermining the consensus that has buttressed the peace deal for two decades. For many Catholics in Northern Ireland, membership of the EU was an important part of the bargain for remaining in the UK.

> 'You need devolution to be properly functioning in order for that to be a happy scenario for everyone'

Fears abound that the UK's departure from the EU will lead to the reinstatement of security posts that were taken down after the Good Friday deal, which would not only disrupt free movement over the 500km frontier that is invisible to the eye but could also become a target for dissident republican paramilitaries bent on a return to violence.

All of this is a source of anxiety for Mr Reddin, who owns a coach hire company located right on the frontier between Donegal in the Irish Republic and Londonderry in Northern Ireland. "One of the saddest parts of it [is] where you feel that these borders are all going back up again," he says.

The question now is whether Northern Ireland's institutions can be pieced back together. Andy Pollak, founding director of the Centre for Cross Border Studies in Armagh, says: "One doesn't want to be alarmist but anyone one talks to in the north is very doubtful about whether we're going to get the institutions back in any short to medium term future. It looks highly unlikely."

No guarantee of peace

The current stalemate has called into question the "new civility" that helped open up politics in the region, he says. "The Good Friday Agreement has been a given since 1998 but now for the first time people are wondering what might happen if the agreement is genuinely undermined by Brexit."

Katy Hayward, a political sociologist at Queen's University Belfast, says a "toxic mix" of recent events has deepened a sense of insecurity in the region.

"The biggest risk to the peace process isn't from paramilitary groups. It's from a disintegration of the democratic peaceful mechanism by which politics works in Northern Ireland," she says. One of the successes of the agreement was that a majority of people including Catholics said their preferred political outcome for Northern Ireland was devolved status within the UK, she argues. "But the problem is that you need devolution to be properly functioning in order for that to be a happy scenario for everyone."

The Good Friday pact was signed by Tony Blair, then British prime minister, Bertie Ahern, his Irish counterpart, and local leaders. After decades of sectarian conflict, the great achievement of the deal was that it brought an end to the lethal paramilitary campaigns of Sinn Féin's IRA allies, pro-British loyalist groups and other factions.

This has transformed Northern Ireland, removing the threat of violence from everyday life. As well as opening what had been a heavily fortified border, the pact led to the withdrawal of British troops from the region's streets and the creation of a new police force. The power-sharing executive is one of several new political institutions, among them a parliamentary assembly at Stormont outside Belfast with legislative powers devolved from London, and cross-border bodies run with Dublin.

The agreement marked the culmination of prolonged efforts to settle one of Europe's most entrenched conflicts. But disputes over lingering militancy held back power-sharing for years.

It was not until 2007 — almost a decade after the agreement was signed — that the new institutions began to function relatively smoothly when Ian Paisley, the veteran DUP founder who had rejected the 1998 pact, entered government with Martin McGuinness of Sinn Féin, the former IRA commander who led the republican movement's peace strategy with Gerry Adams.

At its root, the Good Friday settlement gave nationalists and republicans a major say in the region's government while preserving the UK link that unionists hold dear. The deal also allows for an eventual referendum to create a united Ireland if that is supported by a settled majority — a way of setting aside for later the most divisive question.

"When I announced the agreement 20 years ago I said that it was an historical achievement, which it was," George Mitchell, the retired US senator who chaired the talks, tells the Financial Times. "I also said on the same day that the agreement by itself did not guarantee peace, or reconciliation or political stability; that there would in the future have to be tough decisions made by future leaders."

The talks almost failed, recalls Jonathan Powell, Mr Blair's chief aide at the time. "It was nightmare of a negotiation," he says. "When we turned up in Belfast three days before Good Friday, George Mitchell said: 'I don't know why you've come, there's no chance of an agreement'. It was incredibly up and down. Everyone was tired and emotional, people weren't getting any sleep, the food was terrible."

Although never completely harmonious, the power-sharing agreement overcame a succession of crises until Sinn Féin quit the executive in January 2017 in a row over a botched green energy scheme. Several efforts to bring the two parties together failed. A fresh push is expected after Easter but the two parties remain divided over several difficult issues. Sinn Féin wants legislation to protect the rights of Irish speakers, but the DUP will support only a lesser form of recognition. Sinn Féin supports gay marriage, the DUP does not.

Demographic change

Tensions over Brexit have exacerbated the situation. The two parties took opposite sides in the 2016 referendum as Arlene Foster, DUP leader, called for a leave vote while Sinn Féin campaigned to remain.

Sinn Féin's demand for Northern Ireland to be given "special status" to remain in the EU after Brexit is anathema to the DUP, which strongly resists the idea of the region being put in a different political order to the rest of the UK. This dovetails with increasing talk of a united Ireland from Sinn Féin, which has called for a referendum on unity within five years, another source of bitter contention with the DUP.

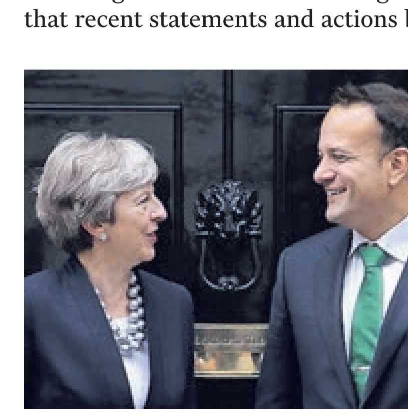
In the backdrop is an election last June that left unionist parties without an outright majority for the first time. "The equalisation of the situation between the DUP and Sinn Féin was a psychological fillip to nationalism and a blow to unionism," says Denis Bradley, former vice-chairman of the Northern Ireland Policing Board, who was a Catholic priest in Londonderry at the height of the Troubles.

Yet there are further complicating factors. First, Theresa May's loss of her parliamentary majority in Westminster last year led to a confidence-and-supply deal with the DUP in which Mrs Foster's party props up the UK prime minister. The fact that Mrs May cannot rule without the DUP has revived bitter nationalist memories of unionist domination over the province with London's help.

Second, Mrs May's push to leave the customs union and internal market prompted a backlash from Leo Varadkar, Ireland's premier, as he marshals EU support for his campaign against a hard border after Brexit. Dublin and London each want to avoid border checks but they differ on how that can be achieved, with UK plans for "smart border" technology being greeted with scepticism in Irish government circles.

These disputes burst into the open in December when Mrs Foster nearly broke up the Brexit talks by rejecting proposals to avoid border checks by keeping Northern Ireland under the rules of Europe's customs union while the rest of the UK left. This question was later fudged, enabling the talks to move into the second phase. EU leaders will return to the matter in October.

Dublin is keen to ease relations with unionists. In a recent speech in Washington, Mr Varadkar said he had "no hidden agenda" in the talks. "I recognise that recent statements and actions by Irish nationalists, including the Irish government, about Brexit have been seen as unwelcome or intrusive. If that is the case, I want to make it clear that it certainly was not our intention."



Ireland's Leo Varadkar says he has 'no hidden agenda' in the talks with the UK's Theresa May over the Irish border

But Sam McBride, political editor of the Belfast News Letter, a unionist-leaning daily, says it is not clear that Mr Varadkar's change of tone can improve unionist views of the taoiseach. "There's still a bit of a sense among some unionists that the jury is out as to what this means," he says. "But for many unionists they're very alarmed and relations between unionism and Irish government and Irish government have worsened."

Business fears

Similar sentiments are common on the other side of the political divide. Mr Bradley, who facilitated secret contacts between London and the IRA during the conflict, says nationalists bemoan a "lack of generosity" on the DUP's part.

Brexit was akin to a train crashing into the Good Friday arrangements, throwing them off track, he adds. "You [the DUP] made no recognition of the fact that we are European and that was part of the settlement. [Brexit] broke the bond between nationalism and the possibility of Northern Ireland remaining as a political entity [within the UK]."

The uncertain future of the border only adds to the political instability. Officials worry that any attack on a new border installation would lead to police deployments on the frontier, raising the risk of more attacks and then reprisals. Although few predict a return to sustained violence, any outburst would be an enormous setback.

For Mr Reddin, the bus company owner, his yard and home are on the Donegal side of the border, but his land extends across the frontier into Londonderry. His 20 drivers criss-cross the border dozens of times every day on school runs and other services around the city.

Concerned that new customs or security checks after Brexit would disrupt this trade, he has built a second yard and new office in a field on the Northern Irish side of his property. "It's too important for us to not act," he says. "This will take care of all the Northern Irish business. I have stopped wondering and started acting."

Speed read

Brexit effect The vote to leave the EU sharpened divisions in Northern Ireland that the Good Friday deal did not heal

Frontier issue Many fear that border posts would disrupt free movement and be a target for paramilitary activity

European plan The DUP resists a Sinn Féin demand for the region to be given 'special status' to remain in the EU

Timeline

A peace pact that has faced continued pressure

TUMULTUOUS EARLY YEARS

Good Friday Agreement, April 1998
After marathon talks, agreement is finally reached on a political deal to end the Northern Ireland conflict. The agreement is subsequently ratified by referendum in the region and the Irish Republic.

Omagh bombing, August 1998
The "Real IRA" dissident Republican paramilitary group sets off a huge car bomb in Omagh, Co Tyrone, killing 29 people and two unborn babies.

TEETHING PROBLEMS

Stormont assembly suspended, 2002-07
The UK government imposes direct rule from London over Northern Ireland after unionist parties oppose Sinn Féin's continuation in government over its IRA connections.

Police raid Sinn Féin office at Stormont, October 2002
The crisis followed a police raid on Sinn Féin's Stormont offices, and addresses at other locations in Belfast, on suspicions that an IRA spy ring was operating within the party.

UNEASY STABILITY

Ian Paisley and Martin McGuinness agree to work together, May 2007
Almost two years after IRA weapons are put beyond use, DUP founder Ian Paisley enters government with Martin McGuinness of Sinn Féin. McGuinness later said he and Paisley "never had a conversation about anything" until the weeks before the deal.

New leader, June 2008
Peter Robinson becomes Northern Ireland first minister after succeeding Ian Paisley as leader of the DUP.

SYSTEM BREAKS DOWN

Arlene Foster and Martin McGuinness fall out, Jan 2017
Power-sharing government collapses after McGuinness resigns as Northern Ireland deputy first minister over the refusal of Arlene Foster, now DUP leader (above), to stand aside as first minister over a botched renewable energy scheme.

Stormont shutdown, 2017-18
Amid tension between London and Dublin over Brexit, prolonged stalemate leaves Northern Ireland without a formal voice in the Brussels talks as the future of the border with the Irish Republic takes centre stage.

FINANCIAL TIMES
'Without fear and without favour'
WEDNESDAY 28 MARCH 2018

GKN debate reflects UK takeover regime's flaws

Some deals may hurt domestic interests but the reasons must be clear

The GKN debate has generated more heat than light. The amount of heat, however, indicates an important truth. Attitudes towards capitalism in general, and to takeovers in particular, have shifted. Scepticism is common on the left and the right, in the UK and elsewhere.

Not without reason. The financial crisis left laissez-faire capitalists and efficient-market acolytes mumbling excuses. Weak corporate investment has academics wondering if management incentives match the needs of the economy. Two of the UK's major companies, Cadbury and ARM, went to foreign bidders in recent years, leaving a bitter taste behind. When it bought Cadbury, Kraft broke its promises on UK jobs and a factory closure. ARM, the most important UK tech firm, was sold quickly, a deal waved through by a government keen to show that Britain was "open for business".

Even deals that were turned away — by cost-slashers Pfizer and 3G for AstraZeneca and Unilever, respectively — created a sense that, left to its own devices, the deal market would leave Britain industrially weakened.

There is a need for new debate about capital markets and the public good. Yet it is to be regretted that this debate is playing in the context of Melrose's £7.8bn bid for GKN.

The reasons the deal is an odd focus for government scrutiny are many. The bidder is British. Melrose's record is not that of an asset stripper. Claims to the contrary by some newspapers and liberal politicians are ill-informed or, more likely, disingenuous. GKN does have a defence division, but it is relatively low-tech and based largely in the US. Indeed 80 per cent of GKN's employees are outside Britain, as are most of its institutional shareholders. Its chief executive is American. The division most likely to be sold off, automotive, will meet that fate even if the current board retains control. If the board does remains in place, it will not be because it steered the company deftly. It presided, instead, over an extended period of underperformance.

Despite all this, the row goes on. Business Secretary Greg Clark has demanded that Melrose make binding commitments to keeping GKN's headquarters in the UK, maintaining the UK workforce, sustaining research spending, and so on. The secretary's letter is laced with references to national security, an area where the government has unambiguous power to block the deal. But the case for a national security intervention is painfully weak. What appears to be happening is that Mr Clark is trying to hold Melrose to a standard of national interest under the guise of a national security test.

The UK has long been exceptionally open to foreign takeovers. If it wants to adopt a public interest standard, that is a legitimate option. Brexit creates an opportunity to set a new and independent policy in this area. But the change should be explicit. A major alteration in the national posture towards free markets should be a matter of informed debate in and outside parliament. If deemed necessary, it should be written into law, its provisions and purposes laid out in back and white.

The system by which takeovers are regulated in the UK is based more on principle, convention and individual judgment than on clear rules. It is enforced by a combination of government ministers, the Takeover Panel, and pension authorities. Its structure makes it flexible and ambiguous — but not weak. If the political mood is right, the machinery is in place to stop almost any major deal. This has its advantages, but it could also allow Britain to slip into a reflexive protectionism without the benefit of a proper debate.

Australia needs to put cricket into perspective

Bad sporting behaviour by the country's team is not a national crisis

"A shocking affront to Australia" was how Malcolm Turnbull, the country's prime minister, described the news that the national cricket team had been caught cheating. For non-cricket fans, the precise offence — "ball-tampering" — might sound arcane, or even faintly smutty. But the essence of the matter is that Australian players — who were losing a tense and bad-tempered match with South Africa — decided to try to gain an illegal advantage by altering the condition of the cricket ball.

In many ways it is a tribute to Australia that the country's prime minister seemed to be genuinely shocked (and not just "shocked, shocked", like the police prefect in *Casablanca*) that the national team should be caught trying to gain an unfair advantage. As Mr Turnbull pointed out, cricketers are regarded as role models in Australia. Much like the Brazilian football team or the New Zealand rugby side, the Australian cricket team have become a symbol of the nation. The awarding of a "baggy green" cap to a player making his Australian debut has taken on the weight of a religious ritual.

But the idea of a "role model" is an ambiguous one. Above all, Australian cricketers are expected to be winners — chivalric behaviour is not so important. If they start to lose games against old rivals like England or South Africa, then the crowds will thin and the media backlash will be brutal. That crushing pressure to secure victory almost inevitably erodes the idea of sportsmanship. The Olympian ideal, that "the important thing is not to win, but to take part", was not an idea that found much favour in the Australian dressing room.

The wearers of the baggy green might have been regarded as paragons of sportsmanship within Australia itself. But the team's reputation was already fairly tarnished in the rest of the world. Australian fast bowlers set out to intimidate and the team has been seen to applaud when rival batsmen are hit on the body. Australian cricketers have become famous for "sledging" — otherwise known as abusing the opposition, in the hope of putting them off their game. This practice crossed the line from banter into bullying a long time ago. So it was good that Mr Turnbull included a condemnation of sledging in his call for Australian cricket to clean up its act.

At the same time, it is important to retain a bit of perspective. A far bigger menace to the integrity of cricket than ball-tampering is the threat that bookmakers will bribe players to throw games, or otherwise alter the direction of play. Hansie Cronje, a former captain of South Africa, was banned for life from cricket in 2000 for match-fixing — and there have also been high-profile cases in south Asia.

"Ball-tampering" is also hardly a new practice in cricket. Over the years, players have been caught using earth, trouser zips, finger nails or even teeth to scuff the ball's surface. The England cricket captain, Mike Atherton, was fined for ball-tampering in 1994, and the same fate has befallen the current South African captain, Faf du Plessis. Both men were able to continue their careers unhindered — and the same should be true for Australia's Steve Smith, even if it seems inevitable that he will lose the Australian captaincy.

But once Mr Smith has stepped down, Australia should get a grip (preferably by fair means). The Australian national cricket team was never the object of global reverence that its fondest supporters imagined. Nor is it now a symbol of national disgrace.

If the Australian team can lose with grace, as well as win with style, it will be even more respected around the world. It is time to remember an unfashionable phrase. Cricket is "only a game".

Letters

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NDAs can serve a purpose — but are too often abused

Sir, The women and equalities select committee is launching a full inquiry into sexual harassment in the workplace, including "the pros and cons of using non-disclosure agreements in sexual harassment cases". There is in our experience a real problem and a pressing need for robust reform.

NDAs can serve a purpose in preventing disclosure of sensitive financial information during business transactions. But all too frequently NDAs are abused, and cash is used to silence criminality and wrongdoing. This abuse cannot be swept under the carpet as a historic problem, as is plain from the use of NDAs for hostesses at the recent Presidents Club ball.

The government cannot stand idly by and allow the powerful, rich and legally equipped to silence their complainants in exchange for money where the behaviour alleged is illegal. To do so undermines the role of law enforcement and the proper use of public interest disclosures. It allows well-resourced crooks and brigands to offend without fear of discovery, let alone sanction; promotes unsafe and discriminatory work environments; distorts offending statistics; masks social evils; strips victims of justice and, in particular cases, contributes to rape culture.

The US legislators are leading the way to prohibit the use of taxpayer and shareholder money to settle sexual harassment and discrimination claims. House members recently announced the introduction of two new bills designed to combat what they describe as the "corporate culture of secrecy" that helps protect workplace sexual harassers. Our government must take action. If public interest disclosures are to act as a proper check and balance then NDAs must be reformed. Time is up for looking at evidence with eyes wide shut.

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Téa Braun
Director, Human Dignity Trust
Justine Roberts
Founder and CEO, Mumsnet
Charmian Gooch
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Barrister
Kate Parker
Barrister, 5 Paper Buildings
Claire Mawer
Barrister, 15 New Bridge Street
Harriet Wistrich
Founding Director, Centre for Women's Justice

Complications make third runway plan risky

Sir, Jonathan Ford is absolutely right to highlight the perverse regulatory incentives that explain why Heathrow's board rejected the opportunity to implement our substantially cheaper expansion alternative: the extension of the existing northern runway, which produces the same capacity for around £5bn less ("The gold-plated reason for Heathrow's bloated runway costs", Inside Business, March 26).

The Heathrow board reviewed our independent concept at the request of transport secretary Chris Grayling in September 2016 and, as he told the transport select committee last month, declined to issue the government a letter of comfort. He said: "The biggest issue for us was that the promoters of that scheme could not secure from Heathrow a written guarantee that if we picked it they would do it." This has pitched the interests of Heathrow's largely foreign shareholders against the interests of UK consumers and does not make for an attractive political proposition.

Not only will passengers and airlines probably pay higher fees (and hence fares) should Heathrow Airport's third runway plan go ahead, there are two additional complications that make it very risky.

First, Heathrow Airport has failed to conduct a proper safety review. If this were completed it would demonstrate that many of the operational claims made by Heathrow are incompatible with safe operations. The third runway's capacity is likely to be much lower than the 740,000 air traffic movements (ATMs) claimed.

Second, because the construction of the third runway requires the demolition of three villages and critical infrastructure such as the energy-from-waste plant, and no credible plan for crossing the M25 so close to the M4 junction has been produced, it will require billions of pounds of expenditure up front. This means it cannot be meaningfully phased. The government and regulators will have to agree to releasing all the new capacity, even if environmental limits in air quality and noise are not met.

By contrast, our first phase, creating at least 70,000 ATMs, can be produced for £3.8bn, by far the cheapest option for expansion. Even at this stage it is not too late for Mr Grayling to see sense and tell Heathrow to adopt our proposal before parliament votes in the summer.

Jock Lowe
Director,
Heathrow Hub Ltd extended runway concept,
London WC2, UK

It is lack of capacity that is driving up costs at Heathrow

Sir, Implying that Heathrow is inflating expansion costs to make a higher return is categorically untrue ("The gold-plated reason for Heathrow's bloated runway costs", Jonathan Ford, March 26).

We are regulated by an effective and transparent framework that drives investment to benefit passengers. Since 2006 investment has transformed Heathrow for the better — passengers now rate us as one of the top 10 airports in the world. We have an interest in delivering value for money because if costs are too high, airlines and passengers can choose other London or European airports. No penny is remunerated without fierce challenge and endorsement by airlines, an assessment from an independent surveyor and approval by the Civil Aviation Authority. The final endorsement of our £12bn investment programme by airlines and regulator is our best credential.

Mr Ford mentions our £20 airport charge but misses the big point. What is really driving up costs for passengers is a lack of capacity at Heathrow. It is stifling competition and passenger choice, creating a congestion premium that artificially inflates air fares by hundreds of pounds.

We will shake this up with expansion, delivering new capacity and choice while keeping airport charges close to today's. That's a huge prize for passengers. We've already reduced the cost of the project by £2.5bn. We continue to look for savings. But it isn't a race to the bottom on costs. We must treat local people fairly and build an airport that delivers long-term value for passengers — not cave in to today's vested interests.

Heathrow is in strong financial health. We are backed by global investors, rated by all major rating agencies as A- and with a better liquidity profile and cost of debt than any other big UK corporate issuer or international infrastructure company. Our leverage has fallen by 5 per cent since going private in 2006. This is all possible because shareholders have put £5.5bn of equity in that time, without costing taxpayers anything. Airlines and customers benefit too from this competitive funding.

We stand ready to deliver the expanded airport Britain and our passengers so badly need. We can do it in a way that is sustainable, affordable and financeable.

Javier Echave
Chief Financial Officer,
Heathrow Airport,
Hounslow, Middx, UK

'Partial as I am to bagpipes and Morris dancing, let's expel the British cultural attaché'

The world's oldest hatred is like a virus

Sir, Jeremy Corbyn's response to the anti-Semitism in the Labour party has been lacklustre at best and lamentable at worst ("Jeremy Corbyn's response to anti-Semitism has been inadequate", Robert Shrimsley, March 27). Of course the world's oldest hatred is like a virus that has mutated over the ages. Jews have been reviled for being rich and poor, capitalist and communist, metropolitan and parochial, stateless and having a state.

The lesson of the last century shows that anti-Semitism is at its most potent when economies slump. On the three occasions when the gross domestic product growth in Europe fell to below 1 per cent (1914, 1938 and 2009), anti-Semitism rose. The economic difficulties faced by Germany in the 1930s gave the Nazi party an excuse to make scapegoats of the Jews.

Today's fragile economic climate should place us on our guard. However, the prospect of more trade offers some hope, since it will bring people increasingly into contact with people not like them. As Voltaire put it, in the 18th century: "Go into the London Stock Exchange — a more respectable place than many a court — and you will see representatives from all nations gathered together for the utility of men. Here Jew, Mohammedan and Christian deal with each other as though they were all of the same faith, and only apply the word infidel to people who go bankrupt."

Zaki Cooper
Trustee,
Council of Christians and Jews,
London NW9, UK

Bolton may turn out to change with the wind

Sir, No doubt the Financial Times' concern over the appointment of John Bolton as Donald Trump's new national security adviser is legitimate ("The steady rise of an America First world", editorial, March 26). But in Mr Bolton's case we are likely to find that with real power at his disposal, his bark will prove far worse than his bite. Instead of a committed ideologue, Mr Bolton may prove himself a flip-flopper.

One indicator may be his variable responses to the Russian nerve agent attack in Salisbury and President Trump's glad-handing of Vladimir Putin following the latter's sham re-election.

With regard to the first, Mr Bolton expressed outrage and the corresponding need for a firm reply. With regard to the second, on the other hand, he thought Mr Trump's offer of congratulations was the correct and polite thing to do. Had he been a consistent hawk, he would have bridled against Mr Trump conferring legitimacy on President Putin's consolidation of authoritarian power. Mr Trump may think he is getting in Mr Bolton a firm helmsman, but may soon discover he has acquired a weathervane.

Albion M Urdank
Los Angeles, CA, US

COMMENT ON FT.COM
Andrew Hill
Australia's cheating cricketers have lessons in leadership for all organisations
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What to do about the pale, stale male problem

Notebook
by Michael Skapinker

The Financial Times last week reported a median gender pay gap of 19.4 per cent — and it seems that people like me are to blame.

In its defence, the FT said it had made great strides towards equality; 45 per cent of the senior management group were now women. But the pay gap, which is above the UK national average of 18.4 per cent, was the result of the FT still having more men than women in senior posts and the FT being unable to control "when staff choose to retire".

So, it seems, the more quickly we older men push off, the sooner the pay gap will close.

If you are hoping for a whinge about how men are the real victims of the #MeToo movement and the new gender agenda, you have come to the wrong place. Being male has been highly beneficial to many older men, like me, who have enjoyed successful careers.

During our late thirties to early fifties, generally a time of the most significant promotions, we often had the field pretty much to ourselves, as many female colleagues were on maternity leave, looking after children or working part-time. I can recall just one internal post I applied for then where one of my fellow applicants was female. Inflation was high during some of those years and the pay increases we won were hard-baked into our salaries.

The re-examination of the structure of a conventional career — an upward trajectory that suits those who do not take on the bulk of childcare — the questioning of who gets to the top and how, and the backlash against sexual harassment and bullying are all long overdue.

But that still leaves organisations with the puzzle of what to do about us older men, an issue that affects many companies. Age discrimination laws make it harder to ease us out, many of us are living longer and, with 20 or more active years ahead, we have no wish to spend the rest of our lives gardening or pottering around the shops.

While this is today a gender issue, it will in time become a generational one. The women who are now moving into their rightful places in the organisational hierarchy will also grow older, and many will have the same desire to continue in a meaningful job.

Most of those coming through the ranks today have flimsier defined contribution pensions than the comfortable final salary schemes that many of today's older corporate men enjoy. Even if they wanted to retire, tomorrow's older workers will find it harder to afford.

While the gender pay gap may narrow as women rise through the ranks, company costs will continue to grow as high-paid staff either decide to stay, or feel they have no choice but to carry on.

Younger employees will look at senior colleagues who are 40 to 50 years older than them and wonder how long they will have to wait to reach the top.

What can companies do?

They can test the age discrimination laws by pushing older workers out. There is no need to do so explicitly. Companies have ways of making it clear that your time is up. This is common, but legally risky.

Or companies can start thinking creatively. While older workers may not want to retire, they may welcome a shorter week. Carlos Slim, the Mexican telecoms magnate, suggested this in 2014. It is a beneficial solution all round, leaving experienced employees in the workplace, with more leisure, while reducing costs.

Other possibilities include offering older employees consulting contracts with the company if they leave. Once again, this keeps them working, cuts the overall salary bill and opens up promotion prospects for younger staff.

But this should not be left just to employers. Older workers can take their own initiative. It is wrong to generalise about an entire generation. We all have our own skills, and ones we can pick up. Some have given up learning; most have not.

We can all offer something different. You can read my columns here and online, but for part of the week I help organise and teach in the FT's new executive education business. If you have not thought of something similar, male or female older worker, it is time to do so.

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Comment

Activist attorneys-general take the fight to Trump and Facebook

OPINION
James Tierney

Earlier this week, 37 state attorneys-general forced their way into the controversy over Facebook's data scandal. The bipartisan group includes members from California to Maine and has demanded answers from the social network's chief executive Mark Zuckerberg about business practices and privacy protections after the leak of 50m users' data.

In most countries, this sort of intervention by local officials in a national scandal might well be seen as untoward. In the US, it is par for the course. State and local officials routinely get involved in national debates — often by suing or trying to countermand policies put forward by the national government.

In California, a state that voted overwhelmingly for Democratic presidential candidate Hillary Clinton in 2016, Governor Jerry Brown has launched an assault on President Donald Trump's environmental and immigration policies, with the strong backing of his state legislature. Even mayors have joined the fray by declaring themselves "sanctuary cities" for illegal immigrants.

Mr Trump's administration has not taken this challenge lying down. Jeff Sessions, the US attorney-general, has filed his own lawsuits against the state, seeking to force it to turn over illegal immigrants and threatening fiscal retaliation. Mr Brown responded by saying the Trump Administration is "full of liars".

None of this is new. When the American states first organised their governments they brought with them the unique English institution of attorney-general, a position that arose in the common law to serve as a break on the power of the central government. The idea was that if a king or colonial governor went too far in trampling on the rights of the people, it was the job of attorney-general to set things right.

Today all 50 states and the District of Columbia have an officer with the title of attorney-general. All but a handful are elected in partisan elections, and all reflect the core philosophy of their respective political parties. And most

> Each has the extraordinary power to challenge in court the decisions of anyone that affects their turf

importantly, each one has the extraordinary power to go to court to challenge the decisions of the US president or anyone else that affect their home turf.

Two decades ago, activist attorneys-general gained prominence — and money for their states — by taking on first the tobacco industry and the Wall Street banks over biased research. But they also started to flex their legal muscles to pressure the federal government to change direction.

When Republican President George W Bush's administration refused to enforce some provisions of the Clean Air Act, 12 attorneys-general, led by Massachusetts, sued the Environmental Protection Agency to force it to regulate "greenhouse gasses". In 2007, the US Supreme Court handed the attorneys-general a 5-4 victory.

When the White House changed hands, Republican attorneys-general jumped on this tactic and began filing law suits challenging Barack Obama on healthcare and came close to bringing down the entire Affordable Care Act. They also slowed or stopped several of his environmental and immigration initiatives.

Then Texas attorney-general (now governor) Greg Abbot famously joked at a convention of Tea Party conservative activists: "I go into the office, I sue the federal government and I go home." He and his successor, joined by many Republican peers, did that more than 50 times between 2010 and 2016.

Within days of Mr Trump's inauguration, the tables were turned and Democratic attorneys-general successfully convinced courts to halt the original Trump "travel bans" against visitors from mostly Muslim countries.

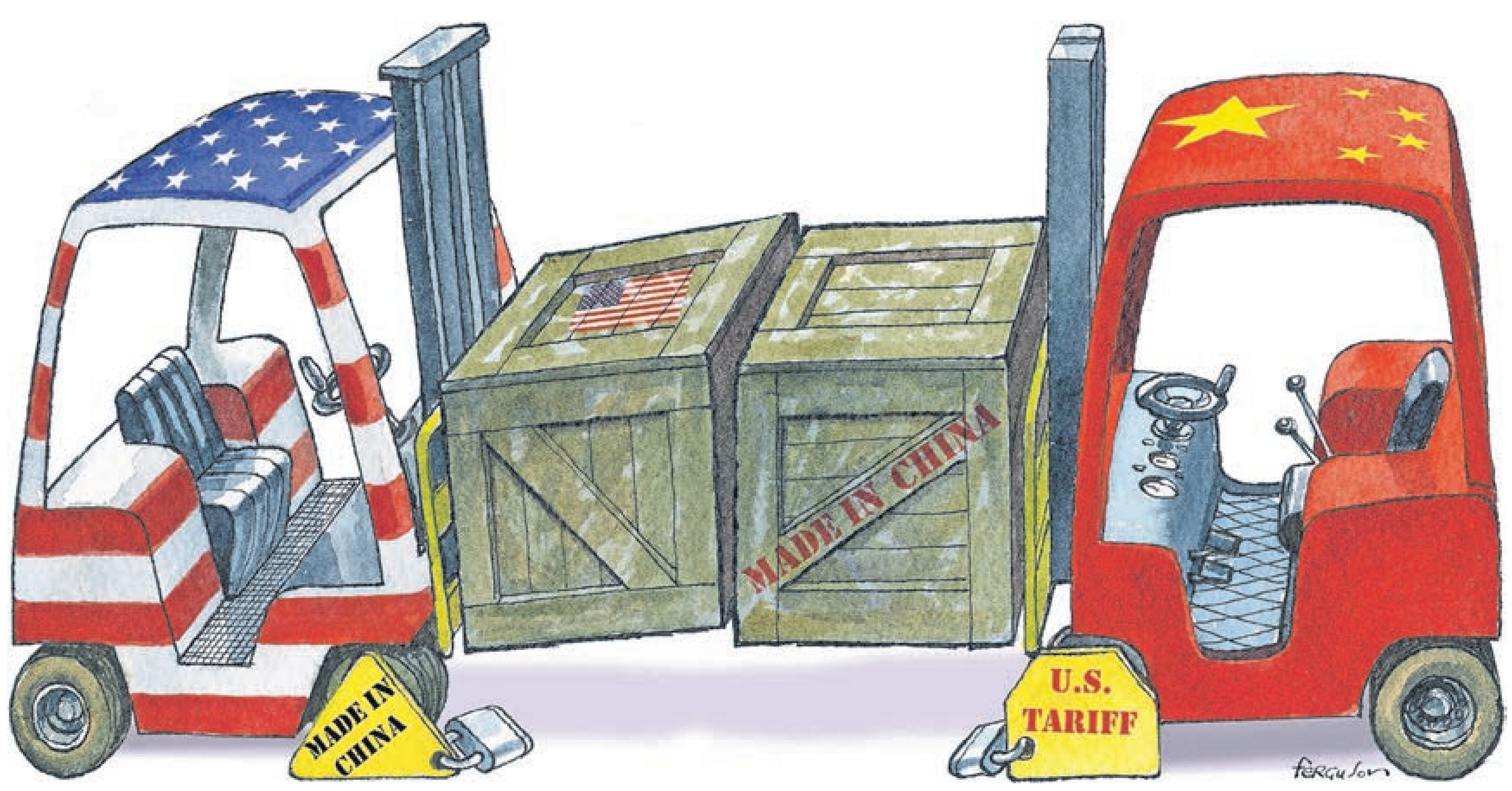
The Democratic attorneys-general have also sought to exploit procedural errors to halt Mr Trump's other executive orders and regulatory changes. More than 100 lawsuits are already pending somewhere in the federal judicial system and working their way up to the Supreme Court, although it has to date ducked them all. Whether attorneys-general will continue to enjoy their current power to sue the federal government remains to be seen, and the final results of the early anti-Trump legal skirmishes are unknown.

Many legal scholars all agree that the Trump administration is making fewer mistakes as it fights off challenges from the attorneys-general over consumer protection and education. Earlier this month, a federal judge in Boston ruled that the Massachusetts attorney-general lacked the authority to challenge a Trump abortion regulation. If it stands on appeal, the underlying authority of some state attorneys-general to sue the national government could be undermined.

If the 2018 midterm elections return even one house of Congress to the Democrats, they will take on much of the mantle of those seeking to "resist" Mr Trump. But until then it will be the governors, mayors and, most of all, the state attorneys-general who will carry the anti-Trump fight. Their battle is yet another reminder Americans deliberately set their system up to limit what the national government can do, no matter who sits in the White House.

The writer, a former Maine attorney-general, is a lecturer at Harvard Law School

How China can avoid a trade war



Martin Wolf Economics

Beijing is able to and should accelerate its own domestic and external liberalisation

How should China respond to Donald Trump's aggressive trade policy? The answer is: strategically. It needs to manage a rising tide of US hostility.

Of the events in Washington last week, the appointment of John Bolton as the US president's principal adviser on national security may well be more momentous than the announcement of a "section 301" trade action against China. Nevertheless, the plan to impose 25 per cent tariffs on $60bn of (as yet, unspecified) Chinese exports to the US shows the aggression of Mr Trump's trade agenda. The proposed tariffs are just one of several actions aimed at China's technology-related policies. These include a case against China at the World Trade Organization and a plan to impose new restrictions on its investments in US technology companies.

The objectives of these US actions are unclear. Is it merely to halt alleged misbehaviour, such as forced transfers — or outright theft — of intellectual property? Or, as the labelling of China as a "strategic competitor" suggests, is it to halt China's technological progress altogether — an aim that is unachievable and certainly non-negotiable.

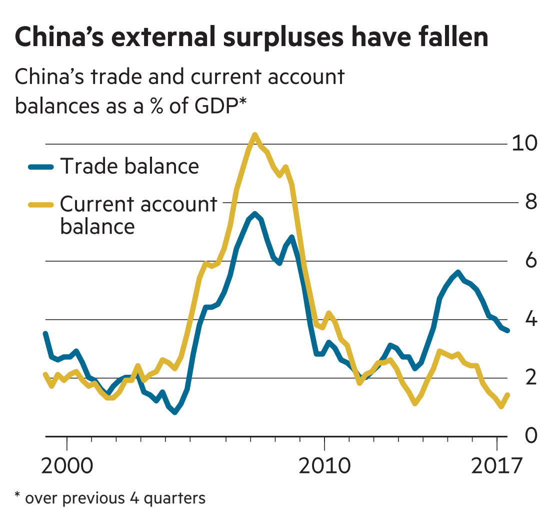
Mr Trump also emphasised the need for China to slash its US bilateral trade surplus by $100bn. Indeed, his rhetoric implies that trade should balance with each partner. This aim is, once again, neither achievable nor negotiable.

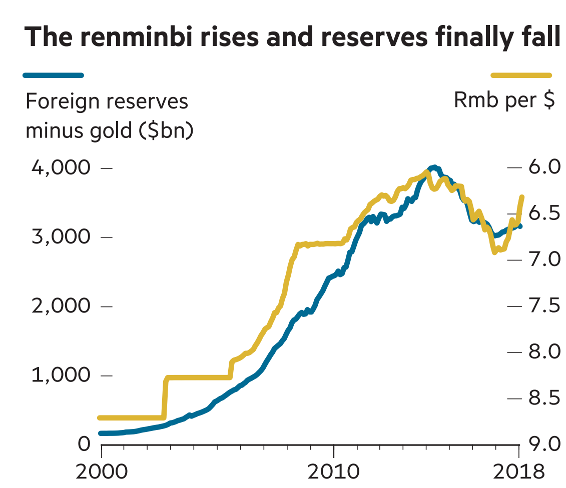
The optimistic view is that these are opening moves in a negotiation that will end in a deal. A more pessimistic perspective is that this is a stage in an endless process of fraught negotiations between the two superpowers far into the future. A still more pessimistic view is that trade discussions will break down in a cycle of retaliation, perhaps as part of broader hostilities.

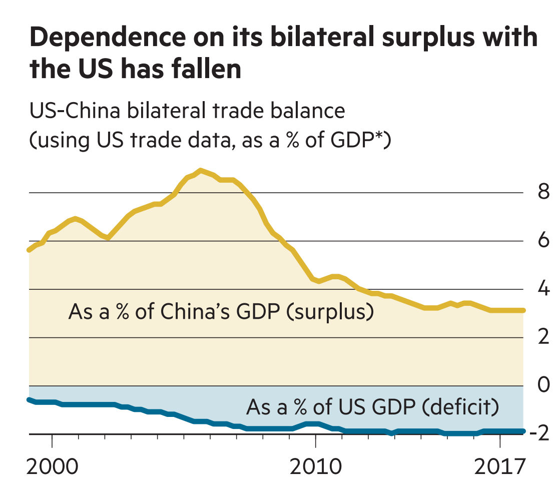
Which it turns out to be also depends on China. It must recognise the shift in US perceptions, of which Mr Trump's election is a symptom. Moreover, on trade, the Democrats are far more protectionist than the Republicans.

What are the forces driving this shift? China's rise has made the US fear the loss of its primacy. China's communist autocracy is ideologically at odds with US democracy. What economists call "the China shock" has been real and significant, although trade with China has not been the main reason for the adverse changes experienced by US industrial workers. The US has also failed to provide the safety net or active support needed by affected workers and communities. Furthermore, the deal reached when China joined the WTO in 2001 is no longer acceptable. As Mr Trump states, the US wants strict "reciprocity". Finally, many business people argue that China is "cheating", in pursuit of its industrial objectives.

Experience shows that the complaints will never end. A decade or so ago, complaints were about China's current account surpluses, undervalued exchange rate and huge accumulations







of reserves. All these have now been transformed: the current account surplus itself has fallen to just 1.4 per cent of gross domestic product. Now complaints have shifted towards bilateral imbalances, forced transfers of technology, excess capacity and China's foreign direct investment. China is successful, big and different. Complaints change, but not the complaining.

How might China manage these frictions, exacerbated by the character of Mr Trump, yet rooted in deep anxieties?

> The issue of surpluses in products like steel cannot be dealt with at a purely unilateral or bilateral level

First, retaliate with targeted, precise and limited countermeasures. Like all bullies, Mr Trump respects strength. Indeed, he respects China's Xi Jinping.

Second, defuse legitimate complaints or ones whose redress is in China's interests. Liberalising the Chinese economy is in China's own interests, as the astonishing results of 40 years of "reform and opening up" demonstrate. China can and should accelerate its own domestic and external liberalisation. Among the widely shared complaints of foreign businesses, is over pressure to transfer know-how as part of doing business in China. Such "performance requirements" are contrary to WTO rules. China needs to act decisively on this.

Third, make some concessions. China could import liquefied natural gas from the US. This would reduce the bilateral surplus, while merely reallocating gas supplies across the world. But doing the same thing for commodities in which China is the world's dominant market would be far more problematic, since it would hurt other suppliers. Mr Trump may well want China to discriminate against Australian foodstuffs or European aircraft. That way lies the end of the liberal global trading system.

Fourth, multilateralise these discussions. The issue of surpluses in standard products like steel cannot be dealt with at a purely unilateral or bilateral level. As a rising global power, China could play a central role in trade liberalisation, thereby strengthening the system and increasing the world's stake in the health of the Chinese economy. Operating at such a global level brings another potential benefit: it is hard for great powers to negotiate bilaterally, since they tend to view concessions to each other as humiliating. In the global context, however, a concession can be seen as a benefit to everybody. Finally, by operating under the rubric of the WTO, China puts Europeans in a difficult position. Europeans share US anxieties over China's policies on intellectual property, but they also believe in the rules. If China took the high road, Europeans might feel compelled to support it.

We are in a new era of strategic competition. The question is whether this will be managed or lead to a breakdown in relations. Mr Trump's trade policy is a highly destabilising part of this story. China should take the longer view of it, for its own sake and that of the world.

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The Westfield Death Star destroys its rivals

COMPANIES
Brooke Masters

Last weekend, I wandered over to the Westfield mall in London's White City neighbourhood for the opening festivities of a £600m extension which has turned the complex into Europe's largest shopping centre.

The 2.6m square foot mall now has an outpost of just about every chain store I have ever had any interest in visiting. No more treks to the outer suburbs for crunchy clothing brand Boden; no need to visit Oxford Street for department store stalwart John Lewis or even Primark, my teenage daughter's favourite source of cheap fast fashion.

Despite the balloons, heaving crowds and stands passing out free candy and hot chocolate, my overwhelming sensation was one of melancholy. Westfield has become the Death Star of malls — pulling shoppers from all over London into its orbit and wreaking destruction on its rivals and high streets. Who would ever go anywhere else?

The rise of supercentres such as Westfield coincides with a dismal climate for retailing in the UK and elsewhere. Toys R Us recently declared bankruptcy, and Carpetright said last week it was exploring an agreement with creditors that would allow it to end leases or reduce its rents. Next chief executive Simon Wolfson said last week that 2017 had been the "most challenging year" for his clothing retailer in 25 years.

The problem for bricks-and-mortar retailers is twofold: shoppers are spending less on things and doing less of that

> Shoppers are spending less on things and doing less of that spending in physical stores

spending in physical stores. UK retail sales plummeted in December and January, and only partly recovered in February. Footfall at UK retailers was down 6.8 per cent year on year in February — the tenth consecutive month of declines. In the US, big department stores like Macy's and JC Penney are closing less successful branches.

Meanwhile online retailers continue to gobble up the spending that is being done. Nearly one-quarter of non-food UK retail sales were made online in December 2017, double the share in 2012. Amazon, not surprisingly, is thriving. Its worldwide revenue jumped by almost a third to $178bn last year and it last week passed Google parent Alphabet to become the world's second most valuable company. In the US, Amazon now accounts for 44 per cent of all ecommerce and 4 per cent of all retail sales, according to One Click Retail.

That leaves the rest of the sector scrambling over a shrinking pie. As consumers sour on visiting stores, retailers are reinventing themselves as entertainment destinations by installing prosecco bars and manicure stations.

Westfield White City already has this trend covered. The mall opened in 2008 with the usual array of multiplex cinema, diverse food court and clutch of chain restaurants. In 2015, it added KidZania, an activity complex that allows children to pretend to do adult jobs like firefighter, dentist and pilot. Now the expansion has brought mini-golf and an upmarket bowling alley.

But some analysts are starting to doubt that entertainment will provide the magic solution that stores and mall owners are looking for. With everyone rushing to open restaurants, the market is rapidly becoming oversaturated — and many diners are opting to stay home and order in or cook instead. Profits at the UK's top 100 restaurant groups have fallen 64 per cent over the past year to £125m, according to accountancy group UHY Hacker Young.

Not only do we have too many stores chasing too few shoppers, we now also have too many entertainment destinations chasing too few customers. Clearly something is going to have to give.

European property group Unibail-Rodamco, which agreed in December to acquire all of Westfield's European and US properties for $24.7bn, clearly believes these high-end malls will be among the survivors. Investors — who have pushed Unibail's share price down by more than 12 per cent since the deal — are not so sure. After all, with a little help from Luke Skywalker, the Death Star eventually blew up.

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Lex.

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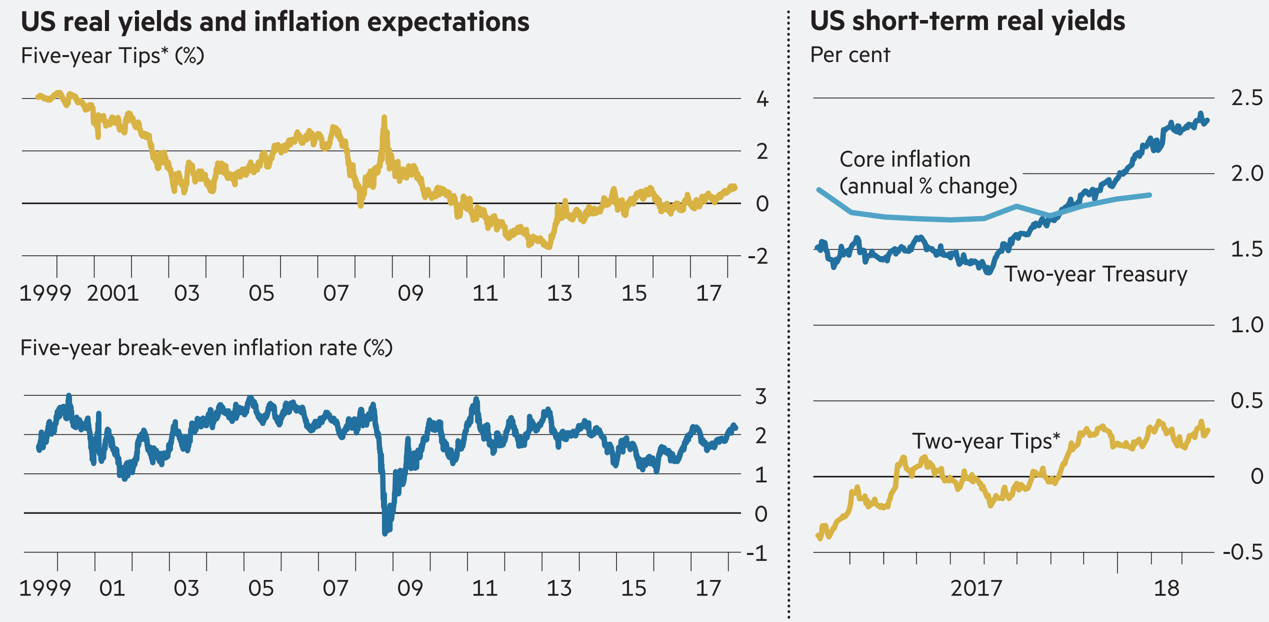
Bond yields: the real thing

Rising US inflation expectations have prompted the Federal Reserve into action and pushed bond yields to multiyear highs, including inflation-linked bonds, known as Tips. Yet short-term real rates remain low compared to historical levels



FT graphic Sources: Thomson Reuters Datastream; Bloomberg * Treasury inflation protected securities

Coca-Cola for many years included "real" in its slogan to suggest that its beverage was inimitable — even natural. Bond investors demand a more precise definition.

To credit markets, real means an actual premium to expected inflation. The era of loose monetary policy curtailed this. Now US government bond yields have begun to cover inflationary expectations again. Real yields are likely to go considerably higher.

If measured on the basis of inflation-indexed two-year Treasuries, US government bonds still give little or no protection from future price increases. Most long-term investors want returns that exceed rising prices. Two-year notes offer little. However, since September, five-year Treasuries have begun to offer a positive real yield — currently the highest since 2010.

The US Federal Reserve's hawkish stance on interest rates suggests that shorter-term real rates will also move into positive territory soon. That is bad news for equity markets. Bonds will increasingly be able to compete with risk capital for funds from investors. It is no surprise that money has come out of US equity funds this year, including another $24.9bn in the week ended March 21, according to EPFR data.

Even so, smallish positive real interest rates will not cause too much upset in wider markets. For one thing, the past decade has hardly been a normal period of comparison given the volume of global central bank purchases of government and corporate securities.

That intervention has supported government bond prices, influencing all types of bonds and loans. And real yields of well over 2 per cent were seen in five-year Tips in the periods before the past two equity bear markets. Compared with this, a 0.5 per cent real yield is unremarkable. As such, US real bond yields could rise substantially higher yet. In Europe real yields are still a long way from positive territory.

Expect more headlines about positive inflation-adjusted bond yields in the months ahead. However, it is likely to be 2019 before the real pain starts to show in equities.

GSK/Novartis: new prescription

Pills and potions make consumers feel better. They cheer investors up, too. Shares in Novartis went up 2 per cent after it said yesterday that it would offload a $13bn minority stake in a portfolio of consumer brands. Those of GlaxoSmithKline, the buyer, bounced 6 per cent.

The latest deal strengthens GSK's bet on consumer health — and might look as though Emma Walmsley, its newish boss, is favouring the side of the business she used to run. But Ms Walmsley has told investors her priority is pharma research. That point was underlined by its recent decision not to bid for Pfizer's consumer health brands. In this case, it was Novartis rather than GSK that had the upper hand in the negotiations. It had the right to sell its 36.5 per cent stake in the joint venture, set up after an asset swap between the companies in 2015.

Yet buying out Novartis also makes sense for GSK. Big minority shareholders are a hindrance. The purchase clears up uncertainty and allows GSK to use its capital more effectively. It was potentially on the hook to buy the stake — if Novartis wanted it to — until 2035, creating a current liability on its balance sheet.

At a multiple of 19 times last year's operating profits, the deal is priced at the upper end of comparable valuations. Even so, the transaction will boost GSK's earnings — by about 5 per cent in 2019. The joint venture's margins are already much improved. GSK is confident it can push them even higher — from 17.7 per cent to the mid-20s by 2022.

Financing the deal will push up borrowings, taking net debt to 2.5 times operating earnings before usual deductions in 2018. That would, by itself, not jeopardise the dividend, a fear when GSK started eyeing Pfizer's consumer unit. GSK, though, would like to get its borrowings down more quickly. That would be easier if it decided to flog off Horlicks and other consumer nutrition products — potentially worth about £2.5bn.

Disposing of the milky drink would mean severing a link with a brand that dates back more than a century. Its sale, like the consolidation of the joint venture, would help streamline a group that is often viewed as something of a hotchpotch. The latest moves promise to remedy some of GSK's problems. With its shares down by about a fifth since taking over, Ms Walmsley still has a lot to do to bring it back to health.

Deutsche Bank: Dear John . . .

Wanted: chief executive for struggling national icon. Must be able to reconcile often contradictory objectives under relentless political and public scrutiny. Tenure: until chairman has had enough of you. Salary: variable, but usually less than advertised.

Fresh reports surfaced yesterday that Deutsche Bank's supervisory board is looking for a chief executive to replace John Cryan. They should not expect a glut of applications.

Mr Cryan is famously not motivated by money; a good job, since Deutsche's management board members waived their right to variable pay in 2017 for the third year running, leaving him with a base salary of €3.4m (plus pension contributions).

But potential replacements might be more mercenary. Bill Winters at Standard Chartered, mentioned as a possible replacement, collected the equivalent of €5.3m, including bonuses, last year. The elevation of David Solomon means Richard Gnodde is unlikely to succeed Lloyd Blankfein as chief of Goldman Sachs. But doing God's work in Europe is rewarding enough in the meantime: $7m in cash, plus $9.26m in deferred stock last year. Share awards linked to a three-year recovery plan are likely to keep UniCredit's Jean-Pierre Mustier in Milan beyond 2019.

A new chief might exude more charisma than Mr Cryan. But it is hard to see what he or she could do differently. Investment banking revenues are sluggish, despite higher bonuses aimed at retaining staff. Cutting costs in the retail business is a long and thankless slog.

The exception would be if strategy were to change. If the objective were to double down on the investment bank, by all means appoint a hard-charging American alpha and shower them with equity options. If it is a return to mercantile roots and the disavowal of a 20-year flirtation with casino capitalism, then appoint a sober German. Otherwise, keep the "Dear John" letter in the drawer.

Casino/Amazon: wild and crazy

Like its geographical namesake, Amazon, the online retail site, suits the hunter. Shoppers that simply wander in can get lost quickly. Casino, the French grocery group, agrees. For this reason it sees no threat from a distribution deal with Amazon for Casino's upmarket grocery Monoprix.

Yesterday, Casino announced that Amazon Prime customers would be able to receive deliveries of Monoprix's upmarket fare. Think Marks and Spencer coming to the door. Monoprix is important to Casino in France, representing just under half of last year's €556m of operating profits, according to Bernstein. Those are likely to go nowhere this year. And Casino's overall earnings improvement since 2015 has come to an end. Competition in France, half of turnover, has been tough. Its share price is down a fifth this year.

Online grocery shopping is clearly on the way. Leclerc, a privately owned hypermarket rival, has recently launched a delivery service in Paris, with prices reportedly a quarter cheaper than Monoprix. Casino already has an ecommerce unit, though it is very small and in loss. It makes sense to do more.

Yet this deal is small beer for Casino. Amazon's two-year distribution effort with Morrisons in the UK has captured just 0.07 per cent of share. That suggests any impact in France will not come soon. How Casino manages its new arrangement with Amazon while maintaining an earlier arrangement with Ocado on warehouse technology will also bear watching. Casino sees an inexpensive learning experience.

Casino claims to know where it is going with Amazon. Minority shareholders will want to be shown a clear path out of the jungle of French supermarket retail. Some critics worry that this move presages more pricing pressure, others fear Monoprix's strong position could be compromised.

For now, that looks unlikely. But longer term, Casino still needs to find a way of lifting profits.

US pay ratios: apples, pears and bananas

The cook flipping beef patties and the strategist leading the international expansion both work for Burger Co — is there any meaningful link between how much they earn for their contribution to the company?

As part of the Dodd-Frank financial reform, US businesses this year began disclosing the ratio between the compensation of chief executives and that of the median employee. The idea is that outsized pay may contribute to risk in the financial system. But social, economic and corporate goals around executive remuneration are frequently unaligned. That leaves the pay ratio as an interesting piece of data, but of little real influence.

The cynical theory around the explosion of chief pay in the 1970s through to the 1990s is that boards of directors became captive to bosses who were then able to negotiate undeserved pay. The more generous explanation is that top managerial talent created enough shareholder value that it was worth the price.

Solving the principal-agent stand-off between chief and shareholder is straightforward. The chief only gets rich if the share price prospers. In this framework, private equity provides a model. Apollo boasted a ratio of chief executive to median worker pay of 1:1. Boss Leon Black's formal salary of $250,000 is the same as the average Apollo employee. He gets hundreds of millions more, but they come in the form of dividends.

Compare that with fruit company, Fresh Del Monte. There, the chief made $8.5m in 2017 at a company whose market value is about $3bn. But because most of the 40,000 employees are seasonal and live in countries such as banana-growing Guatemala, its pay ratio was 1,465:1 (an average annual salary of less than $6,000).

Advocates of ratio disclosure hope pressure could force companies to tamp down CEO pay or boost ordinary worker wages. But anyone hoping data alone will empower some invisible hand will be disappointed.

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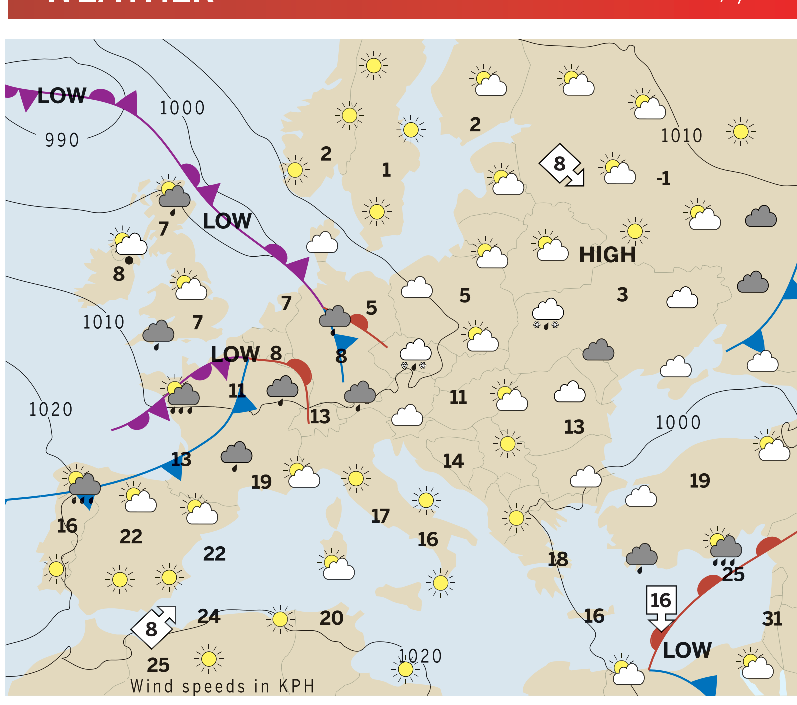
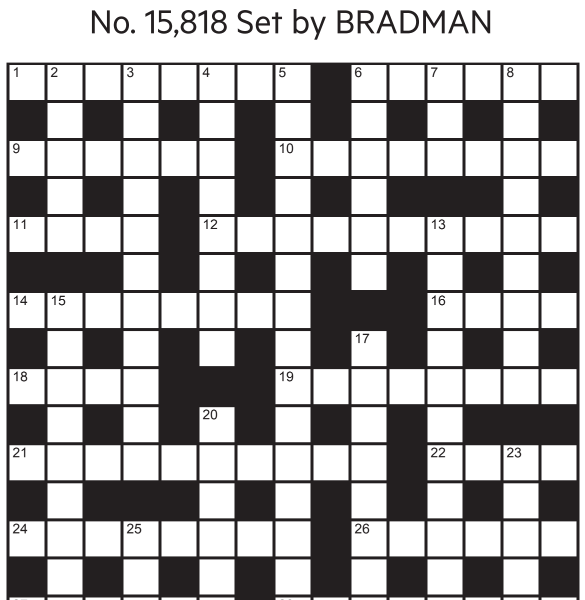


Forecasts by MeteoGroup Warm front Cold front Occluded front Wind speed in KPH

Today's temperatures Maximum for day °C

Amsterdam	Rain	7	Malta	Sun	17
Ankara	Fair	19	Manila	Fair	32
Athens	Cloudy	18	Miami	Cloudy	25
Bahrain	Sun	33	Milan	Cloudy	16
Barcelona	Sun	19	Montreal	Cloudy	8
Beijing	Fair	24	Moscow	Fair	-1
Belfast	Hail	8	Mumbai	Sun	32
Belgrade	Sun	14	Munich	Shower	13
Berlin	Sleet	5	Naples	Fair	16
Brussels	Rain	7	New York	Cloudy	10
Budapest	Cloudy	11	Nice	Fair	15
Cairo	Cloudy	33	Nicosia	Shower	25
Cardiff	Rain	9	Oslo	Sun	2
Chicago	Fair	14	Paris	Rain	11
Cologne	Rain	9	Prague	Sleet	6
Copenhagen	Cloudy	3	Reykjavik	Fair	8
Delhi	Sun	37	Riga	Fair	1
Doha	Sun	36	Rio	Sun	32
Dubai	Sun	30	Rome	Fair	17
Dublin	Shower	8	San Francisco	Sun	21
Edinburgh	Shower	7	Singapore	Fair	31
Frankfurt	Rain	10	Stockholm	Sun	3
Geneva	Shower	13	Strasbourg	Shower	12
Hamburg	Sleet	4	Sydney	Sun	27
Helsinki	Snow	2	Tokyo	Sun	23
Hong Kong	Sun	25	Toronto	Cloudy	9
Istanbul	Cloudy	11	Vancouver	Cloudy	10
Lisbon	Fair	16	Vienna	Cloudy	9
London	Rain	7	Warsaw	Cloudy	5
Los Angeles	Sun	23	Washington	Rain	17
Luxembourg	Rain	8	Zagreb	Fair	17
Madrid	Sun	22	Zurich	Shower	13

CROSSWORD
No. 15,818 Set by BRADMAN

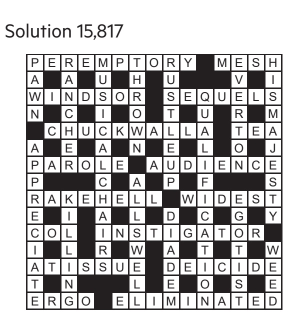


JOTTER PAD

ACROSS
1 Minister of religion caught out, having cut verse (8)
6 Engineer is terrible when brought before court (6)
9 Agree as one opposing scoundrel (6)
10 A protein is extractable from this poison (8)
11 Maybe a man will carry this light (4)
12 Film-maker starts to seem excited, enthralled by genius (10)
14 Eager lot moved by close friend (5,3)
16 Keen OT king, first to emerge (4)
18 Drink making one agitated mostly (4)
19 Stopping in the race, but joining again? (8)
21 One provides water for diner – awful binger that's tucked into chicken? (6,4)
22 Fellow in place of worship, English learner getting put off (4)
24 Girl not so unmerciful (8)
26 Stuff offered by fine grammar school (6)
27 Backward-looking newspaper boss, see, is an autocrat (6)
28 One boy about to go to the head for snooping (8)

DOWN
2 Like one with pride leaving home to make money in Africa (5)
3 Ace regiment in special display for sporting event (4,7)
4 Put outside haunt moved quickly, no longer a softie (8)
5 Why ration soup so absurdly? A question in the pub (5,4,6)
6 Bold lad finally coming with a token of love (6)
7 Final message – one delivered in acceptable accent? (3)
8 Prisoner, silly idiot getting on noon train (9)
13 A constraint wrecked deal (11)
15 Troubling us with details leads to lethargy (9)
17 A fine American, inwardly depressed, gets divine inspiration (8)
20 Passionate daughter trapped in a fissure (6)
23 Scot showing some Caledonian gusto (5)
25 Fashionable joint (3)

Solution 15,817



Companies & Markets

FINANCIAL TIMES

High stakes Amazon places its European retail bet with France's Casino — PAGE 14

Index effect Tips for investors impelled to buy Chinese stocks — JAMES KYNGE, PAGE 20

Investors cheer GSK-Novartis deal

● UK drugmaker to take over consumer health unit ● Shares in both pharma groups rise

RALPH ATKINS — ZURICH
SARAH NEVILLE — LONDON

Novartis and GlaxoSmithKline put down a marker for their future strategies after the Swiss drugmaker agreed to sell GSK its stake in their consumer health joint venture for $13bn.

Both companies saw a significant lift in their share prices, as investors applauded an end to uncertainty over whether Novartis would exercise its right to sell its 36.5 per cent stake, leaving the British company in full control of the business.

The decision to leave the joint venture, which sells products including Sensodyne toothpaste and the painkiller Panadol, is an early move by Vas Narasimhan, the new chief executive of Novartis, as he seeks to focus the company on its core innovative medicines business. For GSK, the deal strengthens the group's bet on consumer health less than a week after pulling out of the auction to acquire Pfizer's consumer business for $20bn.

Emma Walmsley, who led GSK's consumer division before becoming chief executive, had made no secret of her desire to buy out Novartis's share should it choose to sell. She had chosen this as a priority for capital allocation, second only to investing in the company's pharmaceuticals business and ahead of any other large-scale acquisitions.

Shares in GSK ended the day almost 5.25 per cent higher at £13.55p, while Novartis shares firmed more than 2 per cent at SFr75.94.

Ms Walmsley said the transaction, which must now be approved by shareholders, would allow investors "to capture the full value of one of the world's leading consumer healthcare businesses". She added: "It also removes uncertainty and allows us to plan use of our capital for other priorities, especially pharmaceuticals R&D."

In a further potential shake-up, Ms Walmsley announced that the company was beginning a "strategic review" of Horlicks and its other consumer healthcare nutrition products.

Combined sales of these products were about £550m in 2017, GSK said. The move would allow it to increase focus on "over the counter and oral health" products, Ms Walmsley added.

Novartis said the cash offer from GSK represented "attractive value". Mr Narasimhan said: "This will strengthen our ability to allocate capital to grow our core businesses, drive shareholder returns and execute value creating bolt-on acquisitions."

5.25%
Rise in GSK's share price. Novartis stock was up more than 2 per cent

$13bn
Amount being paid by GlaxoSmithKline for the consumer health business

Lex page 10
Diverging strategies page 15

Borrowed time Rising debt costs pose private equity challenge

Private equity firms are writing large cheques. In January it was Blackstone for the $17bn acquisition of the finance and risk division of Thomson Reuters. Now it is Carlyle with the €10bn purchase of Akzo Nobel's specialty chemicals units.

The benign credit conditions enabling these deals have led industry insiders to hail a "last hurrah" before conditions turn and debt becomes more expensive.

There are clear signs that interest rates are on the rise, dating from the Fed's first increase in a decade back in December 2015. Now data on the rising cost of debt for leveraged buyouts are increasing concerns that there is a limited window of opportunity for private equity groups to have deals funded appropriately.

Financial Times analysis of M&A activity showed global dealmaking crossed the $1tn mark this year at the earliest point on record. A string of deals have come to market just as credit conditions are starting to change.

But, as central banks prepare to raise interest rates, there are fears more expensive debt will put a dent in private equity transactions.

Alex Beck, co-head of financial sponsors at JPMorgan Chase, suggests that the financing of deals is bound to become more expensive. "The cost of debt for LBO deals has to rise as central banks are trying to reduce the money supply," he said. "But I don't think we are getting close to a significant impact on the ability of private equity to do deals."
Javier Espinoza and Eric Platt

Yields on leveraged loans rise to highest level since 2016
The average yield on loans in the S&P/LSTA leveraged loan 100 B/BB index (%)

Loans in the index hold single- and double-B ratings from the major credit rating agencies
Source: Bloomberg

Smart Money

John Authers

Markets like bouncing but what accounts for the impressive bounce we saw on Monday? The S&P 500 enjoyed its best day since the China devaluation scare in 2015 and, at the risk of being flippant, the main reason it bounced so much was because it had fallen so much before.

An overdone sell-off was followed by an overdone bounce, aided by technical excitement when traders saw the S&P had still not breached its 200-day moving average. By the close on Monday, the market was a princely 0.03 per cent ahead of where it had been on Friday morning.

How did this happen? And does this matter? The most popular explanation involves President Donald Trump's threat last week to levy tariffs on China, followed by soothing weekend comments from Treasury secretary Steven Mnuchin and from Chinese officials. The incident already has a firm label: "Tariff Tantrum".

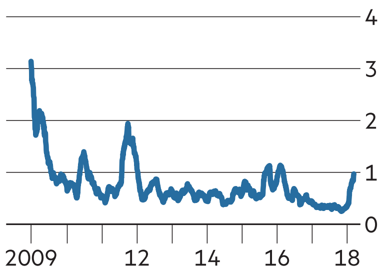
Liz Ann Sonders of Charles Schwab captured what many were thinking about two rather weird days: "Perhaps the 'tariffs tantrum' . . . sent a message to a president who has been known to tie the stock market to his initiatives."

The stock market, as we know, has the president's respect. Maybe, on that view, we should regard the markets as taking over the role of the "adult in the room" in the Oval Office, counselling the president on whether he is on the right track by rising and falling. Given Mr Trump's penchant for starting any negotiation with an outlandish threat and then moderating and claiming victory for whatever he then gets, that could mean a lot of volatility ahead.

The tariffs issue plainly acted as a catalyst for the market excitement. But I would argue that the market was only so combustible because there were nerves about whether economic growth, and inflationary pressure, were as strong as had been thought.

US tariffs should not have been as alarming as China's poorly handled devaluation in 2015, yet produced almost as much equity market volatility. That tells us something. The upward trend has held for now — so the bull market probably has life in it — but anxiety is back. With valuations high and worries about growth returning, we should expect volatility to continue. If politicians stoke uncertainty, they will be rewarded with even more volatility.

S&P 500
50-day rolling average absolute daily percentage change



The current dose of volatility has only been exceeded in two previous markets episodes since 2009

Source: Bloomberg

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Carlyle buyout glosses over tough 2017 for Akzo

A Carlyle-led bid has won the €10bn battle for Akzo Nobel's speciality chemicals. The deal is one of Europe's biggest buyouts, but it only comes after a year in which Akzo fought off a hostile takeover, changed its chief executive and failed in merger talks.
Report ►PAGE 12

UK highlights defence concerns with late demands over hostile bid for GKN

PEGGY HOLLINGER — LONDON

The government has intervened in Britain's largest hostile takeover in almost a decade with eleventh-hour demands that the bidder for GKN commit to keeping the engineer as a significant employer and investor in the UK.

The demands, in a letter from Greg Clark, business secretary, to Melrose Industries, prompted undertakings by the bidder just 48 hours before shareholders decide on the turnround specialist's £7.9bn offer, with City insiders saying the vote is too close to call.

Whitehall officials have admitted there are scant grounds for an intervention in a bid by a British company for GKN. However, the Mr Clark demanded binding commitments, including a veto over the disposal of any defence assets, in the latest sign that Theresa May's Conservative government is increasingly willing to intervene in takeovers.

"I am concerned that a short-term approach to ownership may not be compatible with maintaining the longer-term relationships which serve the best interests of the defence field," Mr Clark wrote.

The move comes despite the government having no shareholding in GKN.

In an effort to assuage the concerns, Melrose pledged to keep GKN British and to not sell the FTSE engineer's aerospace division before 2023. It also agreed to give government a say in the sale of the company's defence business.

If the Melrose bid is rejected, GKN's management plans to break up the 259-year-old engineer to create a pure-play aerospace group.

GKN said Mr Clark's intervention was "further evidence that Melrose is the wrong owner for this business and that shareholders would be taking a risk in accepting this offer".

Melrose made the aerospace pledge after meetings between Simon Peckham, chief executive, and Mr Clark. "We hope that this will demonstrate our commitment to the UK industrial base and is in direct contrast to the fire-sale being undertaken by the current GKN board," Mr Peckham said.
Additional reporting by Jim Pickard
Hanging in the balance page 13

Companies / Sectors / People

Chemicals

Carlyle wins battle for Akzo Nobel unit

US buyout group sees off rivals to land its biggest European deal to date

JAVIER ESPINOZA, ARASH MASSOUDI AND MICHAEL POOLER — LONDON

The US private equity group Carlyle and Singapore's sovereign wealth fund GIC have won a fight to buy the speciality chemicals arm of Dutch paint maker Akzo Nobel for €10.1bn, including debt.

The sale of the unit, one of the largest European private equity deals in recent years and Carlyle's biggest on the continent to date, was confirmed yesterday after an overnight report by the Financial Times that Carlyle had clinched the prize in an auction process.

The Washington-based buyout group saw off several rival private equity firms. Also vying for the unit were buyout group Apollo Global Management, Hal Investments and a consortium of Bain Capital and Advent International.

Akzo Nobel's speciality chemicals division has annual sales of about €5bn and contains five business units, producing basic chemical building blocks ranging from chlorine and salt to ingredients for soap and pesticides.

Offloading the division is a crucial step for the Amsterdam-based company as it turns its focus towards paints and coatings, which are used to protect surfaces from corrosion and wear in a wide range of industries.

It comes after a difficult 2017 during which the owner of the Dulux paints brand fought off a €27bn hostile takeover bid from US rival PPG Industries, replaced its chief executive and entered merger talks with Axalta, another US-based group, that eventually failed.

Thierry Vanlancker, Akzo Nobel chief executive, described the disposal, which is subject to regulatory approval and employee consultations, as a "milestone" that would enable the business to "achieve its full potential".

The rump paints and coatings business would now concentrate on achieving its target of a 15 per cent return on sales by 2020. "We are now on the way to doing that," added Mr Vanlancker.

Akzo Nobel shares jumped 3.5 per cent yesterday to €77.70.

Investors had long complained of a "conglomerate discount" in Akzo's stock due to its ownership of disparate businesses. GIC typically takes a passive role in these types of deals.

The deal values the speciality chemicals arm at 10 times earnings before interest, tax, depreciation and amortisation in 2017, according to Bernstein.

A key factor in the decision was Carlyle's commitment to keep the division's headquarters in the Netherlands, said Mr Vanlancker. The speciality chemicals business employs about 10,000 people in total, of whom about 2,500 are in its home country — roughly half of Akzo Nobel's workforce there.

€10.1bn
Sum paid for the Dutch paint maker's speciality chemicals arm, including debt

€5bn
Amount of annual sales at the division, which contains five business units

Akzo Nobel will receive a cash payment of €8.9bn from Carlyle and the "vast majority" of net proceeds from the deal, put at about €7.5bn, will be returned to its shareholders. Jeremy Redenius, an analyst at Bernstein, said this could amount to about €6bn, given that Akzo Nobel may wish to pursue acquisitions of its own.

Carlyle has experience in pursuing chemicals deals. In 2017, it purchased Total's Atotech chemicals business.

Martin Sumner and Zeina Bain, managing directors at Carlyle, said: "We are committed to growing the business, and building upon its innovation capability, high-quality workforce and asset base."

The move comes as private equity groups are under pressure to deploy large amounts of capital.

Akzo Nobel had been pursuing a "dual track" route, with the possibility of a spin-off and a separate listed company.

INSIDE BUSINESS
ASIA

Tom Mitchell

Joint venture hopes damped by talk of Sino-US trade war

Every March, top corporate and financial executives fly to Beijing for the Chinese Communist party's premier networking event. The China Development Forum, typically held a week after China's rubber-stamp parliament has wrapped up its annual meeting, attracts dozens of Fortune 500 executives and international financiers.

When not mixing with vice-premiers and ministers at the forum's main venue, the exclusive Diaoyutai State Guesthouse, the foreign VIPs fan across the capital for private meetings with their best party and government contacts.

It is normally a relaxed affair. At last year's session, Chinese officials could point to a strong economic outlook and stable relations with the US as President Xi Jinping prepared for a first face-to-face meeting with Donald Trump.

But this year's forum was anything but relaxed. Though China's economic outlook is still positive, the prospect of a Sino-US trade war clouded conversations.

Most of the forum's foreign guests want nothing to do with a trade war. They would prefer that the Trump administration used other means to improve the opportunities and operating environment for foreign investors in China. But their frustration is growing.

In some areas, the basic viewpoints on trade of foreign executives and their Chinese hosts are so far apart that they struggle to have mutually intelligible conversations. If this divide is not bridged, and soon, a full-blown trade war between the world's two largest economies seems inevitable.

In one private conversation on the sidelines of this year's forum, a senior Chinese official told foreign business executives that Beijing did not have a policy of forcing overseas companies to transfer valuable technologies and other intellectual property to local joint venture partners. The Trump administration disagrees, and has threatened to impose tariffs on $60bn worth of Chinese industrial exports for what it alleges are forced technology transfers.

The official then referred to the rapid expansion of China's high-speed rail network over the past decade. He noted that the world's leading manufacturers of railway equipment had all been invited to participate in this lucrative project. In return for choosing to share their technology with Chinese joint venture partners, they would be able to sell equipment into what is now the world's largest high-speed rail network and thus increase their global market share.

> Given the disagreements on core issues . . . investors should be worried

Two of the world's five leading high-speed train manufacturers agreed to this arrangement, the official noted. He then concluded by saying these companies had not been forced to transfer technologies because they voluntarily agreed to do so in return for access to China's market.

But to foreign investors and Trump administration officials, the trade-off outlined by the Chinese official is a classic example of forced technology transfer. As one foreign executive said: "It's not a 'choice'. Companies cannot afford not to be here because China's market is so large."

This fundamental disagreement over what even qualifies as an example of forced technology transfer might not be so worrying if the Chinese government were throwing open the doors to markets — but it is not.

Chinese officials, for example, have made much of their willingness to allow foreign brokers, banks and insurers take majority control of their China joint ventures in the near-term — and full control in three to five years. But what if their joint venture partners do not want to sell?

Even the "early harvest" agreements of last year's "100-day" Sino-US trade talks have generated more cynicism than goodwill. Fourteen years after suspending imports of US beef, China agreed to resume them last year in a very narrow manner. It allowed in only "on-the-bone" beef, a relatively small-volume, "super-premium" segment.

China also said last May that it would open its payments market to foreign credit card groups — five years after the World Trade Organization found that Beijing's barriers to MasterCard, Visa and others violated its market access commitments. Almost a year later, China's central bank has yet to issue a domestic licence to a foreign provider.

Over recent days, global markets have been heartened by the fact that Mr Trump and Mr Xi's negotiators are trying to head off a trade war. But given the fundamental disagreements over core issues evident at the China Development Forum — and Beijing's piecemeal market opening measures over the past year — investors should be worried. These two trains remain on a collision course.

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Technology

Waymo gains self-driving traction with JLR alliance

SHANNON BOND — NEW YORK

Waymo has entered a long-term partnership with Jaguar Land Rover in a deal that will see the self-driving car company buy tens of thousands of vehicles from the UK carmaker and collaborate on future technology, as the prepares to launch an autonomous taxi service later this year.

JLR and Waymo, a subsidiary of Alphabet, will this year begin testing a self-driving version of the I-Pace sport utility vehicle, the carmaker's first electric model which went on sale this month, and incorporate it into the Waymo fleet from 2020.

Up to 20,000 vehicles will be built for Waymo's service in the first two years of production, which the companies said could provide 1m trips per day to Waymo customers.

Waymo's announcement comes as the safety of self-driving cars has been under increased scrutiny after an autonomous Uber vehicle struck and killed a pedestrian in a suburb of Phoenix, Arizona — not far from where Waymo's commercial service will debut in the coming months.

On Monday, Arizona governor Doug Ducey told Uber that he had directed Arizona's Department of Transportation to stop the company from testing its autonomous vehicles in the state.

John Krafcik, Waymo chief executive, said he was confident in the company's technology, echoing comments he made to the US National Automobile Dealers Association at the weekend that it would perform better than Uber's in a similar situation. "We do have that level of confidence that what we're putting on the road is safe technology — and it's only going to get better," he said.

"Of course everywhere that we operate, we need all the rules and regulations of those local communities. So we'll continue to put our focus on safety."

The Waymo-JLR partnership puts the carmaker, which was perceived as lagging behind rivals in the key technology, at the forefront of the race to develop autonomous vehicles. It also marks the latest effort by manufacturers and tech groups to marry the promise of driverless vehicles with the popularity of ride-hailing. Mr Krafcik said Waymo would strike more partnerships with car manufacturers as it builds out its fleet.

Additional reporting by Peter Campbell in London

Banks

Deutsche Bank begins search for new chief

MARTIN ARNOLD, PATRICK JENKINS AND OLAF STORBECK

Deutsche Bank has started an informal process to find a successor for chief executive John Cryan amid mounting boardroom unrest and investor discontent over the bank's performance ahead of its annual meeting in May.

The search for a potential successor for Mr Cryan is at an early stage, according to people involved. "A final decision has not yet been made, but this is a topic which is being intensively discussed," a person familiar with the situation said.

Another person confirmed that a formal search had not yet begun.

Deutsche chairman Paul Achleitner is calling senior European bankers to sound them out on whether they could be persuaded to take over from Mr Cryan, according to people close to the situation.

But many of those he has approached, including UniCredit boss Jean-Pierre Mustier and Standard Chartered's Bill Winters, have said they are not interested.

Mr Cryan, who has been in charge of Germany's largest lender since 2015, has a contract until 2020, but has clashed increasingly with Mr Achleitner. Several members of the supervisory board believe a change of chief is needed.

Mr Cryan successfully listed a minority stake in Deutsche's asset management arm DWS last week, cashing in €1.4bn, but the British banker has come under renewed pressure given the poor performance of Deutsche's lacklustre investment bank.

Deutsche shares slipped more than 10 per cent last week after chief financial officer James von Moltke warned that the investment bank faced headwinds in the first quarter only a few days after a more optimistic outlook for the full year that the lender gave in its annual report.

Deutsche, UniCredit and StanChart declined to comment.

The Times reported late on Monday that Deutsche was preparing to "oust" Mr Cryan and had sounded out Goldman Sachs' vice-chairman Richard Gnodde as a potential successor, who "is thought to have turned down the offer". Goldman declined to comment. "The supervisory board is shocked by the events and the leadership performance over the last four to five months," said a person close to one senior supervisory board member.

Uncertain times: Deutsche chief John Cryan's future is in doubt after board unrest and investor discontent over the performance of Germany's biggest lender
Andreas Arnold/Bloomberg

Mr Cryan had a good start in the job, the person added, but more recently he had "dropped the ball" when implementing the bank's strategy.

A person familiar with discussions on Deutsche's supervisory board said: "Relations between John Cryan and Paul Achleitner are really not good and they have got worse recently. They just need to make a decision on the investment bank strategy, that is what is behind all this."

However, a person familiar with Mr Cryan's thinking played down his tussle with Mr Achleitner stating: "Paul and John's relationship is not as dysfunctional as it seems. There's been occasional mutual irritation — for example after Paul brought in HNA as a shareholder — but nothing more."

See Lex

Retail & consumer

H&M profit down 60% as markdowns cast pall

CAT RUTTER POOLEY — LONDON

Swedish group H&M has unveiled a 60 per cent profits slump in its first quarter in the latest downbeat financial release from the world's second-largest fashion retailer.

While preliminary figures published a fortnight ago showed sales including tax had fallen 1.5 per cent to SKr53.5bn (€5.2bn), yesterday H&M said higher markdowns had hurt margins, compounding the impact of flagging sales on earnings.

Pre-tax profits were SKr1.3bn, down from SKr3.2bn a year ago, while gross margin fell from 52.1 per cent in the first quarter of 2017 to 49.9 per cent this year.

Shares in the group were 5 per cent lower in Stockholm yesterday, at SKr120.9, putting the owner of brands such as Cos, & Other Stories, Monki and Arket on course for its lowest closing price since 2005.

H&M cautioned last month that 2018 was likely to be bleak, predicting negative growth in comparative store sales and a particularly difficult few months before trading started to improve.

"The rapid transformation of the fashion retail sector continues," chief executive Karl-Johan Persson said yesterday. "The start of the year has been tough."

The wrong mix of stock at its flagship brand necessitated "substantial clearance sales" in the first quarter, while "unusually cold winter weather" stopped shoppers from refreshing their wardrobes for spring, H&M said.

H&M has been particularly vulnerable to customers' shifting shopping patterns — and in particular the move online — as its business model has relied on opening large numbers of stores. Additional pressure from competitors such as Zara and UK discount chain Primark has hurt profits, although until recently sales had been holding up better.

H&M said margins and profits could be particularly volatile in the first quarter because it included the traditional sales period.

Technology

Apple to target schools with entry-level iPad

TIM BRADSHAW — LOS ANGELES

Apple is launching a new entry-level iPad with extra features aimed at schools, as it looks to challenge the growing dominance of Google's Chromebooks in education.

At an event at a Chicago high school yesterday, the company said that its upgraded 9.7in iPad will now support its Pencil stylus for on-screen drawings and annotations, while offering 200GB of free iCloud storage for users in the education system.

The newest tablet will cost $329 for regular customers but schools will pay $299 and also get a $10 discount on the Pencil's $99 price. In previous generations of the iPad, only the high-priced Pro model was compatible with Apple's Pencil.

The launch comes a day after Alphabet's Google and hardware maker Acer launched a new tablet, the Chromebook Tab 10, which costs $329 including an integrated Wacom stylus.

Low-cost Chromebook laptops have proven hugely popular in the US education market, accounting for more than half of devices shipped in 2016, according to Futuresource Consulting. Google has courted educators with a cloud software platform that makes it easy for teachers to deploy and manage its devices, leaving Apple and Microsoft racing to catch up.

Apple aims to tap into its connection to the education market to boost sales of its iPad. The device was a hit when it was launched in 2010 but fell into decline between 2014 and 2017.

Apple has been pushing new business uses for the iPad to try to revive sales, sometimes positioning it as a rival to its own MacBook laptops.

Alongside the new hardware, Apple showed off software upgrades yesterday including support for augmented reality apps.

The new iPad will go on sale online today and will ship to customers and Apple Stores later this week in 25 countries and regions, including the US, UK, France, Germany and Japan.

Test for May as GKN fate hangs in the balance

Assurances of the kind demanded over Melrose have become more common since the Kraft takeover of Cadbury

JIM PICKARD AND PEGGY HOLLINGER

When Theresa May stood for leadership of the Conservative party in 2016 she promised a "radical" new approach to business to avoid the fate of the Kraft takeover of Cadbury six years earlier.

Mrs May laid into Tory colleagues for nearly allowing AstraZeneca, a "jewel" of the pharmaceutical industry, to be sold to Pfizer — a US company with a record of "asset-stripping".

Nearly two years on, as the fate of 259-year-old British engineering group GKN hangs in the balance, her administration is facing its own test of priorities.

Outcry over buyout group Melrose Industries' bid for GKN has prompted Greg Clark, business secretary, to seek binding commitments from the potential buyer should it win its £7.9bn hostile bid by tomorrow's deadline.

Such assurances have become more common since the furore over the Cadbury deal. Pfizer promised in 2014 that it would protect jobs and investment at AstraZeneca. SoftBank, the Japanese group, made various pledges in 2016 — at the private behest of ministers — during its £24bn takeover of Arm Holdings such as to maintain the headquarters and double the workforce over five years. Coming weeks after the Brexit referendum, fingers were pointed about a foreign takeover benefiting from the weakened sterling.

But never before has the government intervened publicly to demand binding undertakings — and at such a late stage in a bitterly fought hostile bid that will go to the wire. Mr Clark even indicated that the undertakings given by Melrose yesterday in response to his request might not be the end of the story.

"In remaining days of this bid," he said, Melrose's commitments could be "taken into account" as part of his review of whether the offer gives rise to national security concerns. Mr Clark asked for guarantees over GKN's workforce, research and development, and pension schemes. His comments were remarkable given the government has no specific powers on which to demand any such binding commitments, according to legal experts.

He called for a veto on the disposal of any defence business too, although the government has no golden share in the FTSE engineer — something which Melrose agreed to meet. "The UK doesn't yet have system as they do in Canada or Australia to block transactions solely on the basis of national interest," said Robert Ogilvy Watson, global head of corporate at law firm Ashurst.

The precedent has institutional investors expecting further government intervention. "They are definitely giving themselves more latitude for intervention in future," said one UK asset manager. "Anyone trying to emulate Melrose will think twice."

Melrose responded to Mr Clark with promises to maintain a UK listing, a UK HQ and a majority of UK-based directors, while keeping R&D investment at 2.2 per cent of turnover for five years. This would be a floor, not a ceiling, the group insisted. These would be worded as "binding" commitments, rather than the more vague promises Kraft was able to work around.

Melrose has vowed not to sell the politically sensitive aerospace division before 2023, a pledge which will also be legally binding. But it notes: "Should we be approached by a suitable strategic purchaser offering a long-term ownership and investment proposal . . . we would ask that you consider in good faith, with the advice of your department, the approval of such a proposal."

Those pledges brought a measure of reassurance to some critics of the deal, including Andrew Mitchell, a former Tory cabinet minister, who said the announcement sounded "very sensible" when taken at face value. Vince Cable, leader of the Liberal Democrats, welcomed the Melrose promises, although he said they should have been made when the offer was first announced.

But others believe these fall far short of the rhetoric employed by Mrs May. Political opponents, led by Labour MP Jack Dromey, have argued that Mr Clark should use his powers to get the Competition and Markets Authority to call in the deal on national security grounds.

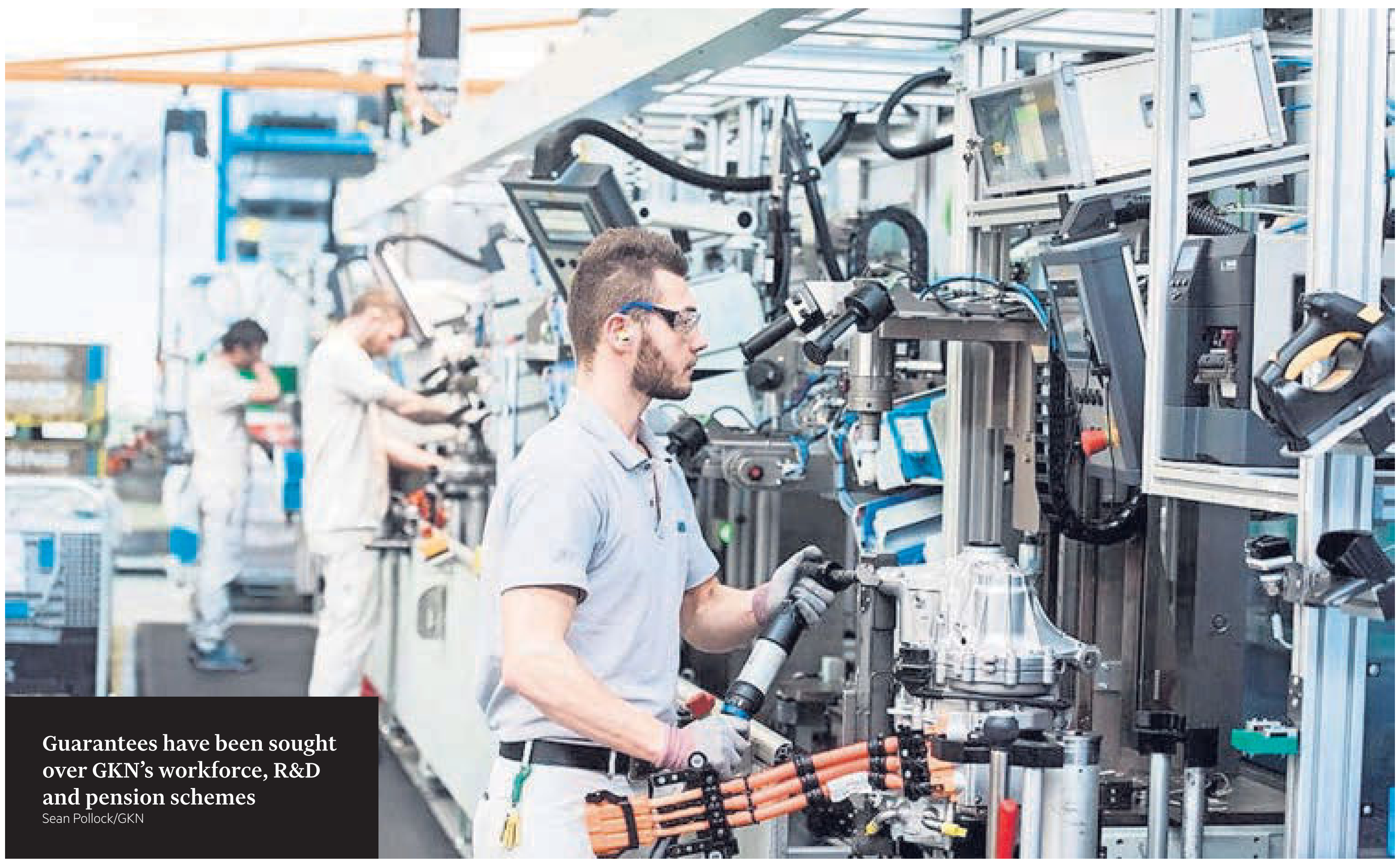
Mr Clark's final decision may not be made until days after tomorrow's shareholder vote on the deal.

"Simply to demand assurances from Melrose is not good enough," Mr Dromey said. "Greg Clark should use the powers he has to block this hostile takeover which is not in the British national interest."

Mr Dromey's criticism was backed by the aerospace industry. "It appears that the commitments made are relatively short-term by comparison with the investment cycles associated with GKN's core business," said Paul Everitt, chief executive of trade body ADS.

"They . . . will only last until they receive a 'strategic' offer for, or they float, the aerospace business and provide no guarantees on the priorities or nationality of future buyers."

See Editorial Comment
ft.com/lombard



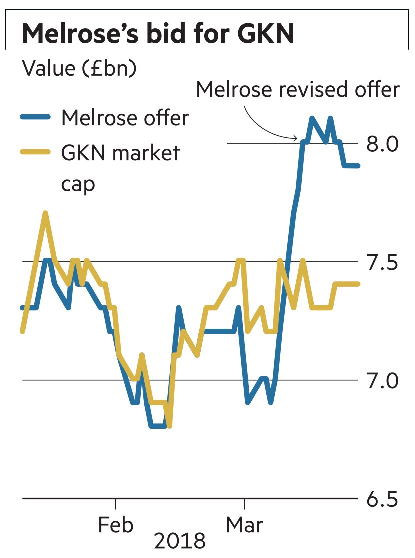
Guarantees have been sought over GKN's workforce, R&D and pension schemes
Sean Pollock/GKN

Best-laid plans
What the groups hope to achieve

GKN
- Sell Driveline automotive business to Dana in $6.2bn deal, including $1.8bn cash
- GKN shareholders to own 47 per cent of stock in the enlarged Dana, quoted in the UK and US
- Sell powder metallurgy division within 12-18 months, and focus on aerospace
- Return £2.5bn cash to shareholders within three years, including £700m after Dana
- Transfer £818m of pension deficit and £1.4bn of liabilities to Dana

Melrose
- Acquire all of GKN in £7.8bn cash-and-shares deal
- Offer 60 per cent of enlarged Melrose and £1.4bn cash to GKN
- Fund cash element partly through debt, raising the net debt to 2.5x ebitda
- Contribute up to £1bn cash into pension schemes, including initial £150m injection
- Keep aerospace for five years and give the government a say in disposal of defence businesses

Melrose's bid for GKN



Source: Thomson Reuters Datastream

Technology

Tencent's WeChat steals march on rival

Walmart shift deals blow to Alibaba in China's $15tn payments market

LOUISE LUCAS — HONG KONG

Walmart, the US retailer, has ditched Alipay in favour of Tencent's mobile payments app in Western China, dealing a fresh blow to Alibaba in the battle between the country's biggest tech groups to dominate the $15.5tn payments market.

Payments have become a key battleground for the Chinese groups — both of which rank in the world's 10 most valuable companies — as they compete in markets spanning retail, entertainment and logistics.

Walmart, which along with Carrefour is among the biggest foreign retailers in China, has been accepting Alipay in its 400-plus stores. However, this month it said it had entered into partnership with WeChat Pay in the western region.

Payments yield only wafer thin profits but have enabled the tech companies to build out their financial services arms to include more profitable areas spanning loans, insurance and asset management. Yu'e Bao, the money market fund of Ant Financial, the payments affiliate of Alibaba, for example, is the world's largest with around Rmb1.5tn ($240bn) under management.

Part of the market's growth is due to China's poor system of legacy banking — the country has mostly leapfrogged credit cards, for example — but has also been fuelled by innovations such as moving *hongbao*, the red packets of money given at lunar new year, online.

Stores, taxis and hospitals across China accept the payment methods of Tencent and Alibaba, with some shops and services refusing to accept cash.

Alibaba remains the industry leader but Tencent has made huge inroads. Tencent, for example, scored an early win with Starbucks coffee shops across China but late last year the chain said it would accept Alipay too.

Walmart declined to explain why the company was ditching Alipay, saying: "This business decision is intended to help us offer the best all-round shopping experience for our customers. WeChat Pay is widely accepted and trusted in China."

Announcing annual results last week Pony Ma, chairman and chief executive of Tencent, said the company was not looking at payments to generate short-term profit. "We want to nurture mobile payment into a very good basis so that our partners and users can utilise [them]," he said.

For stores and restaurants, the advantage of mobile payments is they can target users with special promotions and discounts: someone booking a meal at a French restaurant could be offered a discount on wine, for example.

Walmart is one of the more successful foreign chains in China's highly fragmented grocery market but has struggled to gain more than a low single-digit market share.

Additional reporting by Tom Hancock

Retail. Food delivery

Amazon strikes distribution deal with France's Casino

Prime Now customers will be able to access groceries from Monoprix brand after tie-up

HARRIET AGNEW — PARIS

Amazon has signed a distribution deal with French retailer Casino Group, ending months of speculation that the US ecommerce group was planning more partnerships or acquisitions in Europe.

Groceries from upmarket brand Monoprix will be available to customers of Prime Now, Amazon's high-speed delivery service, as Casino becomes the first French retailer to unveil an alliance with the US group. Casino's shares rose more than 4 per cent yesterday after the announcement late on Monday.

Amazon — and its success in disrupting sectors from bookstores to cloud computing and film over the past two decades — represents both a fear and a fantasy for grocers.

It made clear its ambitions in the $800bn US food and grocery sector with the acquisition of upmarket US chain Whole Foods for $13.7bn in June, fuelling speculation about its intentions in the European sector.

Amazon has held talks with various players in the €222bn French grocery market. It first approached Monoprix about a tie-up several years ago and has held talks with several of Casino's rivals including E Leclerc, France's biggest food retailer by market share, last year. But discussions with Casino were rekindled recently.

Monoprix chief executive Régis Schultz dismissed the notion that Casino's deal with Amazon might represent getting into bed with the devil.

"The devil is already in the bed," Mr Schultz told the Financial Times. "The competition in France is very fierce already and so having one more devil in the bed makes it more fun. Amazon was coming to France anyway, so you don't put your head in the sand, you need to be sensible and strike deals. If it's profitable and I can expand my business, why should I not do a deal?"

Mr Schultz declined to outline terms of the tie-up but said it would be profitable for Monoprix from day one and allow it to access a wider range of customers. Monoprix, whose customer profile is similar to that of Amazon's Whole Foods, generated €5bn in sales last year.

The service will be launched this year in Paris and the surrounding region, with Monoprix groceries available to buy via the Prime Now app and online through a dedicated virtual store. Amazon launched Prime in Paris in 2016.

> 'Competition in France is very fierce already and so having one more devil in the bed makes it more fun'

The deal is similar to a tie-up between Amazon and UK grocer Wm Morrison agreed in 2016. Monoprix customers will receive two-hour free delivery for goods over €40, while one-hour delivery will cost €7.90. This compares with Monoprix's requirement that customers spend €130 to qualify for free delivery.

"We don't yet have a very fast online offer for Monoprix as we didn't think there was a need," said Mr Schultz. "However, Amazon has created a new need for the customer through its Prime offer . . . There is a lot of things to learn from Amazon, which is the master of home delivery. You learn more by playing with the best in class than playing alone."

Monoprix said it already handles 3m deliveries a year in more than 150 French cities with "omnichannel digital" sales accounting for 10-15 per cent of revenues, according to Mr Schultz.

Industry observers welcomed the tie-up but cautioned it was early days. In France, unlike the UK, the leading online grocery market, most online food sales are "click and collect" and home delivery makes up only about 5 per cent of grocery sales, according to analysts.

"From a Monoprix point of view it's a sensible way to get more exposure but it doesn't yet change the competitive dynamics in France," said Bruno Monteyne, a senior analyst at Sanford Bernstein.

Online grocery sales in France hit €6.8bn in 2017, up from €3.7bn five years earlier, according to data provider Euromonitor.

Fear of Amazon's march into Europe has been among the forces that has pushed French food retailers such as Casino and rival Carrefour to ramp up their so-called omni-channel strategies in the face of rising competition from online and changing consumer habits.

Prime target: the deal will be profitable for Monoprix from day one, according to Régis Schultz, the company's chief executive Kenzo Tribouillard/AFP/Getty

Carrefour announced in January that it plans to increase investment in digital sixfold to €2.8bn over five years with a target to reach €5bn in food ecommerce sales by 2022. Meanwhile Leclerc — whose almost 700 stores in France are mostly outside big cities — has set its sights on the lucrative Parisian market and is this month launching a home delivery service in the French capital.

Casino, for its part, in November signed a deal with Ocado to use the British online grocer's warehouse technology and online retail platform to drive ecommerce growth at Casino.

"The five-year worry is that everyone teaches Amazon how to do food and then Amazon learns enough to do it properly," says Mr Monteyne. "Amazon doesn't have any big successes in food yet but it is determined to keep trying."

See Lex

Media

Bertelsmann says Brussels tax plan spells double trouble

TOBIAS BUCK — BERLIN

Bertelsmann has warned that European Commission plans to impose a digital tax on the likes of Google, Apple and Facebook risk hitting European businesses harder than it does US tech groups.

Thomas Rabe, head of the German media group, said imposing a 3 per cent levy on services including digital adverts might lead to double taxation of companies such as his, which already pay substantial taxes on European profits.

"We would effectively be taxed twice — that is a concern," Mr Rabe said.

The Gafa companies — Google, Apple, Facebook and Amazon — enjoyed a significant tax advantage that had to be addressed, he said.

"In principle, we are very much in favour of establishing a level playing field between the US tech companies and us, and one aspect of that is tax.

"[But] we already pay normal direct taxes and tax rates in all the countries in which we operate. We would be penalised by the tax structures that the Gafa companies have put in place. It would be quite inappropriate."

The commission's proposed levy would be targeted at advertising revenues generated by digital companies such as Google, the fees paid by subscribers to services such as Apple Music or Spotify, and the income made from selling personal data to third parties.

> 'We would effectively be taxed twice — that is a concern'
> Thomas Rabe, chairman and CEO

The Brussels plan also faced criticism from Bitkom, Germany's digital industry association.

"There is real risk that European companies would be taxed twice," said Thomas Kriesel, a tax expert at Bitkom. "The strange thing is that this tax is intended to create a level playing field. Done in this way, it would achieve the opposite."

Mr Rabe said the privacy breach scandal involving Facebook offered a chance to win back advertising customers to the group's own online properties as well as its more traditional media such as television channels and print magazines.

"I know that a whole range of advertising customers are asking themselves whether they should advertise on such a platform in these circumstances," he said.

"Independently of Facebook and Cambridge Analytica, our argument towards advertisers is that we offer a secure advertising environment . . . You know as an advertiser where your ads will appear, and for brands, that is extremely important."

Bertelsmann yesterday reported an increase in revenues and profits for the full year.

Sales in 2017 rose 1.4 per cent to €17.2bn, while operating earnings before interest, tax, depreciation and amortisation increased from €2.57bn in 2016 to €2.64bn last year.

Net earnings rose 5.4 per cent to €1.20bn.

COMPANIES

Pharmaceuticals. M&A

Novartis and GSK chiefs set out diverging strategies

Deal sees Swiss group focus on core business while UK rival seeks funds for growth

SARAH NEVILLE, RALPH ATKINS AND ARASH MASSOUDI

In for the long haul: GSK hopes to transform its consumer healthcare division into a revenue-generating war chest as it battles to turn round pharma R&D

It is a tale of two newly minted chief executives, each looking to send a clear signal to investors about strategy and priorities after only months at the helm.

When Novartis announced yesterday the sale to GlaxoSmithKline of its 36.5 per cent stake in their consumer health joint venture for $13bn, it marked an unexpectedly early and decisive move for Vas Narasimhan, who became CEO in February.

Emma Walmsley, meanwhile, who took over at GSK just under a year ago, has strengthened her company's position in consumer health — but, according to people familiar with her thinking, in service of her number one priority: boosting the flagging pharma division. She hopes the increased cash flow from consumer sales can be invested in promising research and development.

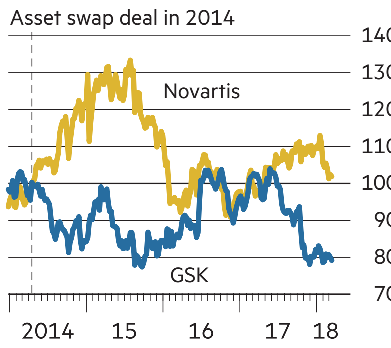
When the Financial Times interviewed Mr Narasimhan in September, just after his appointment had been announced, he said he needed to "reflect on" the shape of the group, considering "what are the right adjacencies for a company like us, and where do we have the ability to really create unique value based on our Novartis capabilities?"

His term still measurable in weeks, Mr Narasimhan has not pondered long before deciding consumer health is an "adjacency" too far. He has moved to disentangle Novartis from part of the asset swap deal struck four years ago with GSK: a multi-pronged agreement that his predecessor, Joe Jimenez, had identified to the FT as "a strong part of my legacy".

The context to the latest deal, according to two people familiar with the process, was a whirlwind few days in which GSK came close to bidding for Pfizer's consumer health division before deciding that it could not justify the purchase within its capital allocation framework, in which large-scale M&A was accorded the lowest priority.

Novartis has fared better since asset swap deal in 2014

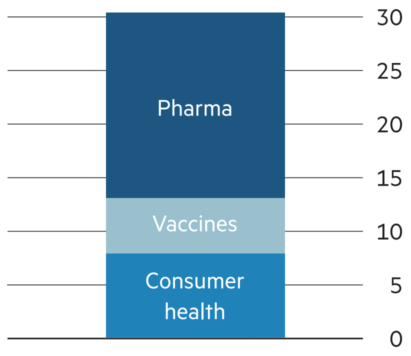
Share prices rebased



Source: Thomson Reuters Datastream

GSK moves to bulk up consumer health business

Sales, 2017 (£bn)



As GSK considered a move on Pfizer over the past few months, the question of whether or when Novartis would exercise its option to sell its stake overshadowed the internal considerations. According to two people familiar with the discussions, GSK executives repeatedly sought to gauge Novartis's intentions, aware of the implications for its ability to fund deals on the pharma side, should it buy both Pfizer's unit and the Swiss company's stake in the JV.

After Mr Narasimhan signalled his openness to a sale, the negotiating teams managed to structure a deal that was all-out-agreed a week before the deadline for the Pfizer bid, according to one person familiar with the process. However, the deal was not signed until shortly before yesterday's announcement. A separate team pressed on with negotiations aimed at acquiring the US rival's business, but the mooted bid was abandoned after investors baulked at the prospect of GSK allocating the capital needed to clinch a purchase.

In a call with reporters, Ms Walmsley acknowledged that discussions over its prospective deal with Pfizer had paved the way for its acquisition of the Novartis stake. The "consideration and detailed review that we did around Pfizer assets opened up this opportunity and we are both very happy to conclude it", she said. GSK also said it was launching a "strategic review" of its iconic Horlicks brand and other consumer nutrition products, which last year generated sales of £550m.

Investors appeared to believe Novartis had extracted a good price: its shares were up more than 2 per cent in Switzerland. Mr Narasimhan is expected to use the funds to expand "core" business areas — innovative prescription medicines, as well as oncology, generics and eyecare — via organic growth but also through "bolt on" acquisitions, or return cash to shareholders.

A question remains as to whether GSK can indeed turn the £7.8bn consumer healthcare division into a revenue-generating war chest as it battles to reverse underperformance in pharma R&D.

Ms Walmsley said yesterday that the business's record spoke for itself, with operating margins up from 11.3 per cent in 2015 to 17.7 per cent last year. "We expect operating margins to approach the mid-20 per cent figure by 2022 and that is at 2017 rates," she added.

That confidence, she suggested, was rooted in "power brands", such as Sensodyne toothpaste and the anti-inflammatory Voltarol, and a stronger focus on over-the-counter and oral health products, as well as "a much stronger focus on supply chain cost structure".

Ian Hilliker, analyst at Jefferies, forecast that assuming full control of consumer health should "generate at least 3 per cent to 4 per cent adjusted [earnings per share] accretion for GSK over the near to mid term".

Investors duly welcomed the move. Richard Marwood, senior fund manager at Royal London Asset Management, said that the companies' decision to dissolve their JV had ticked another uncertainty off the list. "Anything you can do to get away from uncertainty overhanging your stock has to be a good thing", he said. Shares were up almost 5 per cent by late afternoon, at £13.51p.

For Mr Narasimhan, the question is whether he will now also seek to sell Novartis's 6 per cent stake in Swiss rival Roche, which worth about $12bn.

See Lex

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ	27.41	-0.11	32.95	27.19	8.95	12.12	61565.12
BHPBilltn	28.99	0.39	32.16	22.06	5.52	24.27	71771.44
CmwBkAu♦	72.43	0.41	87.74	71.71	8.97	12.30	97859.42
CSL♦	158.55	2.05	167.66	119.01	1.17	33.69	55291.27
NatAusBk	28.64	-0.14	34.09	28.01	10.60	12.04	60114.39
Telstra♦■	3.21	0.01	4.70	3.20	14.63	9.46	29429.13
Wesfarmers♦	41.70	0.10	45.60	39.52	8.10	29.56	36446.65
Westpc	28.70	0.03	35.39	28.56	10.04	11.67	75311.79
Woolworths♦	26.56	0.17	27.97	24.45	4.79	21.48	26713.14
Belgium (€)							
AnBshInBv	86.92	1.04	110.10	82.03	3.96	26.03	182424.71
KBC Grp	70.50	0.04	78.80	59.33	3.99	10.43	36578.91
Brazil (R$)							
Ambev	23.99	-0.01	24.34	17.40	2.36	49.71	113249.98
Bradesco	37.85	-0.11	40.48	25.09	1.77	12.65	34723.56
Cielo♦	21.10	0.10	28.25	20.15	3.71	13.46	17217.24
ItauHldFin	44.61	0.10	45.81	30.28	4.54	10.81	44288.8
Petrobras	23.90	-0.01	24.34	12.47	-	37.84	53423.8
Vale	41.53	-0.47	47.60	25.00	2.81	9.03	35299.78
Canada (C$)							
BCE♦	54.90	0.60	63.00	54.20	5.62	16.43	38412.71
BkMontrl	96.72	-0.35	105.55	88.63	3.90	13.00	48482.29
BkNvaS	78.99	-0.20	85.50	73.31	4.10	11.16	73481.88
Brookfield♦	50.47	-0.20	57.04	46.71	1.48	80.83	38793.6
CanadPcR♦	228.99	6.09	240.40	189.57	1.03	12.96	25723.57
CanImp	113.45	-0.99	124.37	103.84	4.73	10.17	39143.79
CanNatRs♦	39.93	1.57	47.00	35.90	2.96	18.31	38004.65
CanNatRy♦	93.01	0.72	108.64	90.84	1.91	11.96	53464.87
Enbridge	39.70	1.18	57.75	38.08	6.53	22.39	52253.07
GtWesLif♦	32.54	-0.04	37.50	32.37	4.85	13.96	24982.95
ImpOil♦	34.30	0.11	42.25	33.86	1.97	55.04	22056.04
Manulife	23.95	-0.09	27.77	22.61	3.68	22.75	36868.53
Potash	25.78	-0.05	26.62	20.68	6.09	45.64	17321.83
RylBkC	99.30	-0.56	108.52	90.13	3.74	12.52	111391.51
Suncor En	44.33	0.24	47.69	36.09	3.10	15.40	56417.35
ThmReut	50.28	-0.21	62.83	49.26	3.69	19.25	27704.04
TntoDom	72.99	-0.40	76.65	61.50	3.43	12.90	104590.2
TrnCan	53.28	1.21	65.18	51.81	5.04	14.46	36653.72
ValeantPh	20.26	-	30.56	11.20	-	2.20	5485.97
China (HK$)							
AgricBkCh	4.52	0.12	5.02	3.40	4.72	6.19	17707.1
Bk China	4.30	0.07	4.96	3.57	4.84	6.06	45825.84
BkofComm	6.27	0.04	7.13	5.47	5.39	5.66	27976.93
BOE Tech	1.60	-0.15	1.78	1.22	1.31	15.73	40.57
Ch Coms Cons	8.14	0.04	11.54	7.70	2.92	6.54	4593.04
Ch Evrbrght	3.79	0.03	4.76	3.46	3.21	4.99	6123.96
Ch Rail Cons	7.96	0.07	11.88	7.74	2.48	5.87	2106.3
Ch Rail Gp	5.39	0.05	7.54	5.25	2.01	7.48	2890.14
ChConstBk	8.26	0.07	9.39	5.91	4.19	7.06	253084.91
China Vanke	33.95	1.55	42.85	19.00	2.91	10.61	5689.43
ChinaCitic	5.48	0.13	6.82	4.69	4.87	5.37	10393.55
ChinaLife	22.20	0.15	28.20	21.60	1.33	15.78	21052.94
ChinaMBank	32.85	0.55	39.50	19.66	2.83	9.38	19219.94
ChinaMob	72.75	2.20	89.60	69.65	4.12	10.67	189839.05
ChinaPcIns	36.80	-0.30	42.40	27.60	2.36	18.83	13015.96
ChMinsheng	7.80	0.04	9.35	7.16	4.56	4.68	6892.39
ChMrchSecs RMB	16.93	0.09	22.35	15.57	1.11	21.53	13233.62
Chna Utd Coms RMB	5.79	0.16	9.29	5.45	-	306.42	19563.19
ChShenEgy	19.82	0.12	25.75	16.38	2.91	6.95	8584.58
ChShpbldng RMB	5.29	0.17	8.14	4.98	-	110.63	15483.29
ChStConEng RMB	8.76	0.03	10.96	8.51	2.44	8.98	41515.31
ChUncHK	9.84	0.52	13.24	9.20	-	59.44	38371.58
CNNC Intl RMB	6.72	0.07	8.11	6.50	1.63	21.92	4530.76
CSR	6.93	0.01	8.82	6.80	3.77	15.04	3860.48
Daqin RMB	8.54	-0.09	10.48	7.31	2.91	9.64	20238.16
Gree Elec Apl	0.06	0.00	0.20	0.04	-	-1.74	99.00
GuosenSec RMB	10.59	0.14	15.08	9.91	1.88	21.71	7344.27
HaitongSecs	10.70	0.18	13.84	10.28	2.54	12.64	4649.46
Hngzh HikVDT RMB	44.03	1.14	44.59	25.25	0.90	46.56	51739.14
Hunng Pwr	5.30	-	6.25	4.55	6.89	24.75	3174.87
IM Baotou Stl RMB	2.19	0.02	3.17	2.03	-	79.89	7693.54
In&CmBkCh	6.81	0.09	7.64	4.83	4.25	7.01	75327.68
IndstrlBk RMB	16.90	0.05	19.98	14.99	3.59	6.11	51325.28
Kweichow RMB	714.74	1.25	799.06	376.66	0.95	37.20	143120.95
Midea	1.57	0.01	1.90	1.50	3.34	13.68	43.03
New Ch Life Ins	37.80	-0.20	57.85	35.35	1.58	17.35	4981.68
PetroChina	5.50	0.05	6.66	4.72	1.10	36.83	14789.06
PingAnIns	83.55	-0.45	98.85	41.55	1.57	13.29	79301.2
PngAnBnk RMB	10.94	0.01	15.24	8.54	1.45	8.36	29502.78
Pwr Cons Corp RMB	6.73	0.02	9.00	6.52	1.26	14.31	10298.69
SaicMtr RMB	33.55	-0.54	37.66	24.32	4.90	11.50	61520.13
ShenwanHong	0.19	0.00	0.35	0.17	-	14.24	212.42
ShgPdgBk RMB	11.62	0.01	14.02	11.16	1.32	6.28	52055.76
Sinopec Corp	6.88	-0.05	7.16	5.40	4.85	12.04	22370.44
Sinopec Oil RMB	2.24	0.03	4.09	2.14	-	-3.01	4299.95
Denmark (kr)							
DanskeBk	224.90	-0.90	259.50	223.00	4.06	10.00	35051.17
MollerMrsk	9238	-162.00	14260	9004	1.47	-133.65	15461.45
NovoB	293.60	0.35	354.80	230.40	2.61	18.83	95859.06
Finland (€)							
Nokia	4.47	0.04	5.96	3.81	0.39	-16.97	31194.6
SampoA	44.58	0.45	48.92	43.10	5.19	10.58	30620.6
France (€)							
Airbus Grpe	95.10	2.22	99.97	68.42	1.44	25.38	91301.57
AirLiquide	99.50	1.20	111.60	91.64	2.65	18.82	52847.41
AXA	21.34	0.20	27.69	21.05	5.45	8.70	64160.52
BNP Parib	59.53	0.65	69.17	57.24	4.56	9.95	92210.16
ChristianDior	316.10	4.30	319.60	212.20	0.99	38.37	70723.65
Cred Agr	13.23	0.09	15.68	11.60	4.56	10.75	46671.9
Danone	64.05	0.09	72.13	61.87	2.69	22.67	53247.48
EDF	11.57	0.25	12.48	7.33	4.81	11.66	41982.28
Engie SA	13.20	-0.06	15.16	12.17	7.59	-57.29	39844.53
Esslr Intl	107.20	1.30	122.15	100.60	1.40	30.06	29116.49
Hermes Intl	473.40	7.20	475.90	415.70	0.79	42.88	61945.71
LOreal	175.45	0.75	197.15	170.30	1.90	25.55	121919.94
LVMH	245.20	1.40	260.55	199.35	1.63	28.13	154096.33
Orange	13.63	0.16	15.80	13.32	4.41	136.01	44923.36
PernodRic	132.40	0.40	136.25	107.25	1.55	21.33	43558.12
Renault	93.40	0.95	100.70	73.71	3.38	5.94	34235.43
Safran	84.14	2.14	92.36	69.13	1.81	13.40	46271.96
Sanofi	63.92	0.71	92.97	62.88	4.69	21.09	99355.73
Sant Gbn	42.69	0.34	52.40	42.05	2.83	18.65	29289.16
Schneider	70.28	1.44	76.34	64.88	2.91	20.10	50081.95
SFR Group	34.50	-	34.56	21.87	-	-23.02	17905.81
SocGen	43.86	0.60	52.26	41.89	5.04	13.68	43921.85
Total	46.09	0.19	49.34	42.23	5.15	16.36	150453.2
UnibailR♦	180.15	2.00	238.15	178.45	5.67	7.28	22299.38
Vinci	79.98	1.84	88.80	71.83	2.74	16.08	58681.05
Vivendi	21.00	-	24.87	17.33	1.93	21.83	33792.43
Germany (€)							
Allianz	182.34	2.80	206.85	167.00	4.18	11.04	99500.63
BASF	82.50	1.67	98.80	78.97	3.68	12.32	93922.12
Bayer	90.78	1.31	123.90	88.81	3.01	24.03	93049.31
BMW	85.81	0.60	97.50	77.07	4.13	6.46	64028.87
Continental	219.00	3.60	257.40	186.55	1.97	14.49	54291.52
Daimler	66.47	0.94	76.48	59.01	4.95	6.67	88143.1
Deut Bank	11.31	0.13	17.69	11.00	1.70	-21.08	28983.7
Deut Tlkm	12.98	0.18	18.15	12.72	4.68	17.32	76605.44
DeutsPost	35.16	0.44	41.36	30.52	3.02	16.15	53547.87
E.ON	8.85	0.04	10.81	7.01	2.38	88.07	24155.94
Fresenius Med	81.46	2.06	93.82	76.42	1.19	19.34	31109.75
Fresenius SE	60.74	1.42	80.07	58.96	1.03	18.45	41767.23
HenkelKgaA	100.90	-	114.60	94.75	1.61	17.21	32491.39
Linde	167.85	2.35	199.40	151.70	2.23	21.92	38641.65
MuenchRkv	184.60	0.35	199.00	166.60	4.68	85.81	35472.06
SAP	84.78	1.80	100.70	82.05	1.49	24.99	129096.64
Siemens	101.80	1.42	133.50	99.78	3.58	13.40	107253.53
Volkswgn	159.70	2.70	191.80	128.05	1.27	6.97	58412.26
Hong Kong (HK$)							
AIA	67.30	-0.35	69.85	48.20	1.39	16.10	103562.86
BOC Hold	38.95	0.10	42.15	30.40	3.29	13.90	52482.54
Ch OSLnd&Inv	28.30	1.20	32.20	21.50	2.98	6.68	39515.29
ChngKng	66.15	-0.30	75.30	52.10	2.53	9.10	31171.4
Citic Ltd	11.06	0.04	12.80	10.66	3.26	7.27	41003.6
Citic Secs	18.30	0.14	22.95	15.46	2.41	15.46	5313.56
CK Hutchison	95.60	0.50	108.90	93.05	3.07	9.92	47000.5
CNOOC	11.74	-	13.16	8.45	3.25	17.25	66801.08
HangSeng	185.80	2.40	197.50	153.00	3.61	17.19	45270.62
HK Exc&Clr	263.40	3.20	306.00	188.50	1.83	41.70	41618.75
MTR	43.10	0.20	50.00	40.55	2.72	18.49	33001.9
SandsCh	42.65	0.50	49.35	33.25	5.13	29.83	43896.87
SHK Props	127.90	0.10	139.60	112.50	3.36	6.52	47220.94
Tencent	432.20	5.60	476.60	222.40	0.15	53.99	523236.84
India (Rs)							
Bhartiartl	413.20	-	564.80	332.75	0.26	111.93	25428.7
HDFC Bk	1892.6	-	2015	1404.05	0.62	28.66	75613.17
Hind Unilevr	1332.8	-	1410	895.10	1.40	56.83	44413.45
HsngDevFin♦	1823.15	-	1986.05	1455	1.05	18.13	47038.31
ICICI Bk	283.90	-	365.70	241.09	0.88	16.27	28086.57
Infosys	1154	-	1221.05	860.00	2.52	15.74	38803.17
ITC	258.90	-	354.80	250.00	1.89	27.08	48644.12
L&T	1307.55	-	1470	1025.33	2.28	24.35	28207.46
OilNatGas	179.60	-	212.85	155.20	4.67	9.94	35483.64
RelianceIn	899.80	-	990.95	616.68	0.65	14.44	87751
SBI NewA	254.35	-	351.30	232.35	1.09	-724.89	33801.22
SunPhrmInds	505.10	-	703.35	432.70	0.74	54.57	18657.45
Tata Cons	2847.7	-	3259.05	2252.8	1.79	20.22	83924.26
Indonesia (Rp)							
Bk Cent Asia	23450	175.00	24700	16500	0.95	23.44	41653.28
Israel (ILS)							
TevaPha	58.51	-2.18	121.90	38.20	5.29	-0.99	17050.59
Italy (€)							
Enel	4.80	0.01	5.59	4.16	3.77	19.88	60449.66
ENI	14.20	0.14	15.45	12.94	5.66	30.05	63964.68
Generali	15.48	0.11	16.48	13.65	5.18	11.53	29967.02
IntSPaolo	2.93	0.00	3.23	2.39	6.11	8.32	57529.47
Luxottica	49.62	0.76	55.60	45.32	1.86	25.40	29832.03
Unicred	16.61	0.12	18.34	12.79	-	11.64	45847.99
Japan (¥)							
AstellasPh	1591.5	1.50	1623	1331.5	2.16	18.21	31129.17
Bridgestne	4564	74.00	5605	4314	3.23	12.40	32860.47
Canon♦■	3848	42.00	4472	3357	3.86	18.21	48523.42
CntJpRwy	20145	735.00	21520	17525	0.68	10.04	39234.85
Denso	5939	244.00	7218	4551	2.07	14.89	44587.07
EastJpRwy	9981	348.00	11615	9470	1.33	13.37	36392.43
Fanuc	26740	475.00	33450	20805	1.74	30.81	51588.71
FastRetail	41040	870.00	51580	30000	0.84	33.14	41157.82
Fuji Hvy Ind	3562	80.00	4297	3400	3.97	12.23	25903.42
Hitachi	783.60	27.50	944.20	566.30	1.75	12.71	35808.86
HondaMtr	3616	129.00	4151	3000	2.63	6.32	61928.01
JapanTob	2957	47.50	4243	2784.5	4.56	13.20	55913.78
KDDI	2717.5	42.00	3260	2551.5	3.25	11.93	66472.09
Keyence	65080	1560	72400	42810	0.10	-	74822.52
MitsbCp	2924	115.00	3318	2208.5	3.26	9.76	43957.5
MitsubEst	1783.5	63.50	2278.5	1682	1.27	25.67	23453.58
MitsubishiEle	1717.5	56.50	2179	1462	1.83	14.00	34866.39
MitsuiFud	2542	100.00	2984	2274.5	1.39	26.72	23827.19
MitUFJFin	710.30	22.40	894.40	642.20	2.51	37.97	93345.78
Mizuho Fin	195.00	4.00	220.70	185.40	3.78	15.15	46808.86
Murata Mfg	14360	365.00	17910	13680	1.64	20.82	30584.27
NipponTT	4920	37.00	5905	4545	2.69	11.57	97515.95
Nissan Mt	1130	25.00	1197	996.20	4.39	5.46	45092.26
Nomura	615.50	12.00	756.50	567.70	3.19	8.71	21202.73
Nppn Stl	2320	51.00	3132	2228	3.17	9.17	20844.72
NTTDCMo	2716	32.00	2907.5	2501.5	3.25	14.27	100134.38
Panasonic	1649.5	79.00	1800	1207.5	1.49	25.85	38255.76
Seven & I	4500	127.00	4891	4234	1.97	23.67	37713.81
ShnEtsuCh	10965	255.00	13175	9174	1.12	22.27	44795.78
Softbank	8253	173.00	10550	7494	0.52	5.95	85882.11
Sony	5232	153.00	5738	3402	0.42	-17.33	62642.17
SumitomoF	4543	101.00	5333	3760	3.38	11.76	60752.73
Takeda Ph	5640	90.00	6693	5115	3.13	23.77	42374
TokioMarine	4854	74.00	5517	4192	3.08	18.02	34328.36
Toyota	6891	249.00	7806	5670	2.99	8.75	212586.9
Mexico (Mex$)							
AmerMvl	17.76	0.15	18.44	13.19	1.74	31.78	43460.13
FEMSA UBD	164.47	1.03	189.49	158.17	1.65	12.65	19372.88
WalMrtMex	46.72	-0.48	48.59	41.00	1.30	25.69	44463.02
Netherlands (€)							
Altice	6.83	-0.10	23.43	6.44	-	-3.46	11827.04
ASML Hld	166.60	3.20	175.25	112.60	0.73	33.50	88256.74
Heineken	85.14	-0.04	91.42	78.51	1.58	26.56	60785.92
ING	13.57	0.15	16.69	13.19	4.93	9.50	65352.17
Unilever	43.46	0.46	52.31	42.13	3.25	19.96	92359.13
Norway (Kr)							
DNB	151.25	0.65	164.30	131.90	3.85	12.53	31957.95
Statoil	184.20	1.80	188.85	135.80	3.88	16.33	79777.04
Telenor	175.70	1.50	191.70	131.00	4.53	55.35	34221.65
Qatar (QR)							
QatarNtBk	133.00	-0.51	150.50	115.01	2.52	9.23	33739.22
Russia (RUB)							
Gzprm neft	141.53	3.26	151.65	111.46	5.97	3.61	58375.1
Lukoil	3895	95.00	3985	2601	8.50	7.65	57720.57
MmcNrlskNckl	10827	77.00	11970	7677	6.30	13.37	29850.8
Novatek	747.80	4.70	787.00	590.20	0.98	12.52	39559.21
Rosneft	310.25	2.20	359.30	286.00	2.03	17.77	57287.5
Sberbank	256.88	1.88	285.00	136.20	2.46	7.40	96613.47
Surgutneftegas	28.54	0.44	31.35	24.09	2.21	9.97	17764.75
Saudi Arabia (SR)							
AlRajhiBnk♦	75.80	-0.80	78.20	61.00	4.20	13.34	32846.66
NatnIcombnk	63.50	-0.20	65.00	37.00	3.48	12.77	33866.66
SaudiBasic	114.20	0.40	115.40	94.25	3.71	16.60	91359.99
SaudiTelec	84.70	1.00	84.00	65.10	5.01	17.29	45173.34
Singapore (S$)							
DBS	27.59	0.38	29.71	18.65	2.34	15.94	54026.73
JardnMt US$♦	61.70	0.20	68.11	59.73	2.56	5.88	44832.6
JardnStr US$♦	38.42	0.42	46.48	37.50	0.81	5.17	42558.46
OCBC	12.94	0.14	13.61	9.49	2.85	12.97	41366.04
SingTel	3.39	0.03	4.00	3.30	5.29	9.61	42278.97
UOB	27.61	0.21	28.99	21.41	2.60	13.62	35292.69
South Africa (R)							
Firstrand♦	66.69	-2.61	77.25	43.44	3.44	15.73	32126.77
MTN Grp♦	117.86	-2.14	140.00	109.05	5.75	27.69	19071.82
Naspers N	3130	-	4142.99	2201	0.17	32.12	117910.2
South Korea (KRW)							
HyundMobis♦	245000	12500	289500	212000	1.49	14.16	22282.77
KoreaElePwr	31150	300.00	48300	30600	6.26	6.86	18683.72
SK Hynix	81400	-2600.00	91500	48400	1.28	5.17	55367.08
SmsungEl	2499000	-15000.00	2876000	2004000	1.91	9.71	299764.41
Spain (€)							
BBVA	6.29	0.03	7.93	6.23	4.81	10.60	51977.44
BcoSantdr	5.26	0.04	6.25	5.15	4.06	12.17	105243.54
CaixaBnk	3.82	0.01	4.51	3.68	3.45	13.45	28284.25
Iberdrola	5.83	0.06	7.30	5.71	3.07	12.04	46525.36
Inditex	25.08	0.40	36.90	23.00	2.03	23.58	96885.93
Repsol	14.38	0.17	16.30	13.28	5.73	10.38	27742.34
Telefonica	7.89	0.13	10.57	7.45	5.13	13.92	50796.39
Sweden (SKr)							
AtlasCpcoB	317.70	8.30	339.70	260.40	2.19	21.79	15064.5
Ericsson	53.70	1.32	64.95	43.75	1.98	-9.22	20048.43
H & M	120.94	-6.42	245.80	118.20	4.60	9.74	21466.04
Investor	364.60	3.80	425.60	348.00	2.86	3.63	20179.91
Nordea Bk	87.82	0.90	115.70	85.88	7.65	11.34	43218.78
SEB♦	86.40	-5.70	109.00	86.14	6.69	11.02	22782.77
SvnskaHn♦■	100.10	0.52	129.70	98.32	5.25	11.62	23219.42
Swedbank♦	184.40	-0.15	226.30	183.40	7.52	10.14	25365.23
Telia Co	38.49	0.25	40.33	35.29	6.90	13.72	20252.24
Volvo	150.00	4.10	171.30	123.40	2.30	13.70	30046.57
Switzerland (SFr)							
ABB	22.40	0.54	27.24	21.65	3.38	21.94	51219.71
CredSuisse	15.98	0.20	18.81	12.91	4.30	-38.31	43062.94
Nestle	74.00	1.00	86.40	73.00	3.16	31.36	242881.09
Novartis	75.94	1.54	88.30	72.45	3.56	23.57	209579.41
Richemont	85.38	0.74	92.50	76.70	2.18	24.86	47003.12
Roche	217.45	3.05	273.00	214.30	3.84	21.29	161118.18
Swiss Re	93.98	0.74	98.80	81.65	5.36	11.16	34635.65
Swisscom	468.70	7.10	530.60	431.10	4.77	15.20	25605.96
Syngent	463.00	-6.70	471.20	360.50	-	41.32	42748.26
UBS	16.77	0.26	19.77	15.13	-	61.07	68164.35
Zurich Fin	315.90	4.70	321.80	262.10	3.54	16.02	50422.04
Taiwan (NT$)							
Chunghwa Telecom	112.00	1.00	112.00	101.50	4.47	22.40	29839.41
Formosa PetChem	119.50	1.00	127.00	101.00	5.14	13.88	39095.78
HonHaiPrc	91.20	1.00	122.50	86.10	4.99	11.57	54276.9
MediaTek	342.50	-4.50	350.50	206.00	2.36	27.67	18602.34
TaiwanSem	251.00	7.50	266.00	186.50	2.82	18.85	223530
Thailand (THB)							
PTT Explor♦	560.00	-	588.00	365.00	3.21	11.98	51316.25
United Arab Emirates (Dhs)							
Emirtestele	17.80	-	18.85	15.75	4.92	16.35	42145.43
United Kingdom (p)							
AscBrFd	2423	34.00	3387	2386	1.56	15.98	27125.78
AstraZen	4866	106.00	5520	4260	4.19	27.77	87144.91
Aviva	498.40	4.30	550.00	482.20	4.31	33.01	28284.96
Barclays♦	206.15	0.25	229.95	177.30	1.46	60.63	49743.94
BP♦	475.35	5.80	536.20	4.80	6.26	32.46	133973.07
BrAmTob	3946	46.00	17365.43	2879.89	5.53	2.16	127986.6
BSkyB♦	1316	8.00	1378	893.42	-	27.82	31990.31
BT	222.10	3.95	326.63	216.40	6.51	13.80	31162.01
Compass	1474	14.00	1765.92	1396.5	2.28	20.67	34279.73
Diageo♦	2363	8.50	2735.5	2186.5	2.63	18.56	83038.69
GlaxoSmh♦	1351	62.80	1724.5	1236.4	5.92	43.58	93953.62
Glencore	363.50	11.20	416.90	270.00	1.42	12.29	74147.21
HSBC♦	672.00	6.80	798.60	618.00	5.60	18.94	190016.51
Imperial Brands♦	2340	15.00	3956.5	2301	6.83	15.90	31559.26
LlydsBkg	65.03	0.39	73.58	61.81	4.15	13.55	66275.04
Natl Grid	763.50	9.50	1174.36	733.00	5.98	15.38	36298.69
Prudential	1830.5	28.50	1992.5	1612.14	2.46	19.68	66972.44
RBS	257.60	-0.90	304.20	221.80	-	-9.61	43588.99
ReckittB	5857	61.00	8110.43	5562	2.62	19.63	58220.81
RELX	1454	24.50	1784	1399	2.57	17.84	42789.8
RioTinto♦	3599.5	63.50	4226.56	2882.5	4.77	10.00	68269.02
RollsRoyce♦	874.40	6.80	994.50	733.50	0.53	-23.44	22996.84
RylDShlA	2260	51.00	2579.5	1982.5	6.20	19.60	269109.74
Shire♦	3070	116.50	5021	2940.5	0.74	8.91	39537.64
StandCh♦	719.20	12.70	864.20	678.80	-	41.76	33529.13
Tesco	205.50	2.80	217.30	165.35	-	36.70	23793.42
Vodafone	193.84	2.94	239.65	190.10	6.79	-70.51	73115.83
WPP	1114	20.00	1774	1082	5.08	8.21	19992.84
United States of America ($)							
21stC Fox A♦	36.91	-0.12	39.14	24.81	1.02	16.50	38903.47
3M	221.35	1.11	259.77	188.62	2.22	26.70	131638.6
AbbottLb	61.53	0.46	64.60	42.31	1.80	294.27	107443.19
Abbvie	93.61	-1.67	125.86	63.12	2.86	27.14	148529.79
Accenture	152.90	0.05	165.58	114.82	1.70	26.18	102802.78
Adobe	226.31	-2.60	231.34	126.36	-	64.09	111646.3
AEP	67.75	0.44	78.07	63.32	3.69	16.70	33352.92
Aetna	170.27	-0.48	194.40	124.84	1.07	28.68	55668.5
Aflac	43.60	-0.49	45.88	35.54	2.09	7.23	33980.36
AirProd	161.23	0.29	175.17	133.63	2.46	32.75	35299.58
Alexion	110.94	-0.61	149.34	96.18	-	53.87	24593.34
Allegran♦	163.32	3.12	256.80	142.81	1.79	-13.03	53501.51
Allstate♦	94.80	0.28	105.36	79.09	1.63	10.85	33602.63
Alphabet	1047.84	-6.25	1198	824.30	-	55.69	312772.41
Altria♦	61.22	1.62	77.79	59.07	4.34	11.03	116345.51
Amazon	1574.26	18.40	1617.54	833.50	-	244.87	762110.53
AmerAir	52.22	0.36	59.08	40.56	0.80	12.81	24707.3
AmerExpr	93.65	1.03	102.39	75.51	1.50	30.16	80552.55
AmerIntGrp♦	54.67	0.46	67.30	53.34	2.45	-8.00	49337.97
AmerTower	146.04	0.83	155.28	118.55	1.88	52.32	64381.99
Amgen	173.84	-1.35	201.23	152.16	2.77	61.82	125260.74
Anadarko♦	62.41	-0.18	64.15	39.96	0.33	-70.24	33234.6
Anthem	222.61	1.53	267.95	158.67	1.27	14.84	56926.25
Aon Cp	140.51	-0.29	152.78	116.05	1.05	87.85	34590.82
Apple	174.32	1.55	183.50	138.62	1.48	17.12	884519.2
ArcherDan	43.46	0.63	46.39	38.59	3.08	14.90	24288.6
AT&T	35.09	0.40	41.89	32.55	5.87	7.05	215506.38
AutomData♦	114.85	0.79	125.24	95.50	2.13	28.39	50909.52
Avago Tech♦	253.81	6.08	285.68	208.44	1.88	14.09	104252.96
BakerHu	57.68	3.17	68.59	43.09	0.56	-197.51	24541.87
BankAm♦	30.54	0.10	33.05	22.07	1.33	18.73	312241.65
Baxter♦	66.06	0.57	72.58	51.39	0.97	48.61	35681.57
BB & T	52.91	0.69	56.31	41.17	2.49	18.47	41130.15
BectonDick♦	216.32	1.07	248.39	175.66	1.42	164.23	57593.57
BerkshHat	301980.05	2480.15	326350	242180	-	10.57	225985.86
Biogen	272.04	3.84	370.57	244.28	-	21.83	57553.51
BkNYMeln	52.00	-0.14	58.99	45.12	1.73	13.37	52392.43
BlackRock	544.74	4.02	594.52	368.00	1.92	17.24	87549.91
Boeing	334.32	5.35	371.60	173.75	1.78	23.81	196744.08
BrisMySq	63.26	-0.15	70.05	51.56	2.59	99.20	103423.46
CapOne	96.14	1.07	106.50	76.05	1.74	24.46	46751.64
CardinalHlth	62.09	-0.01	82.80	54.66	3.09	10.35	19540.15
Carnival	66.73	0.93	72.70	57.39	2.61	17.81	35657.32
Caterpillar	150.92	1.73	173.24	90.34	2.15	114.58	90190.69
CBS♦	52.48	0.79	70.10	49.24	1.43	15.59	18113.34
Celgene	87.42	0.25	147.17	84.95	-	22.97	65755.19
CharlesSch	53.19	0.23	58.11	37.16	0.63	31.60	71618.93
Charter Comms	312.00	-0.18	408.83	307.23	-	8.76	74190.12
Chevron Corp	116.46	1.11	133.88	102.55	3.88	22.97	222468.09
Chubb	137.95	0.93	157.50	133.82	2.14	16.11	64021.39
Cigna♦	168.90	0.22	227.13	143.85	0.02	18.42	41021.65
Cisco	44.30	0.24	46.16	30.36	2.60	-143.70	213416.02
Citigroup	70.49	0.71	80.70	56.55	1.42	-22.94	180477.35
CME Grp	162.56	0.85	171.71	114.82	1.70	13.02	55336.91
Coca-Cola♦	43.19	0.50	48.62	42.05	3.58	153.02	184183.73
Cognizant	81.90	0.27	85.10	57.50	0.57	30.97	48161.4
ColgtPlm	69.13	0.94	77.91	67.86	2.40	29.00	60511.34
Comcast	33.58	0.04	44.00	32.74	1.96	6.76	155645.44
ConocPhil	59.29	0.21	61.32	42.27	1.87	-81.03	69640.7
Corning♦	28.35	0.04	35.10	26.32	2.29	-41.09	24075.69
Costco	187.16	-0.06	199.88	150.00	1.10	27.18	82129.6
CrownCstl♦	111.67	0.34	114.97	93.14	3.65	105.77	46306.45
CSX	56.38	0.73	60.04	45.53	1.45	9.00	50022.37
CVS	61.80	0.20	84.00	60.76	3.38	9.17	62698.09
Danaher	98.65	0.49	104.82	78.97	0.59	26.96	68815.23
Deere	156.73	3.39	175.26	106.93	1.52	35.82	50747.27
Delphi	48.12	0.11	60.39	31.83	-	14.34	4271.37
Delta	55.23	0.17	60.79	43.81	1.92	10.67	39042.82
Devon Energy	32.21	-0.26	45.16	28.79	0.78	18.13	16945.68
DiscFinServ	72.18	0.39	81.93	57.50	1.88	12.74	25519.27
Disney	100.96	0.31	116.10	96.20	1.68	13.70	151811.08
DominRes	68.84	0.74	85.30	67.17	4.61	13.95	44856.39
DowChem	66.65	1.75	-	-	-	-	81542.6
DukeEner	76.40	0.48	91.80	72.93	4.78	16.72	55148.05
Eaton	81.52	0.42	89.85	69.82	3.08	11.67	35714.13
eBay	41.09	0.08	46.99	31.89	-	-41.38	41586.35
Ecolab♦	136.26	1.52	140.50	122.58	1.17	25.41	39290.32
Emerson	69.76	0.25	74.45	56.77	2.88	25.77	44286.27
EOG Res	105.90	-1.67	119.00	81.99	0.66	22.71	61277.75
EquityResTP♦	59.39	0.41	70.46	54.97	3.55	34.86	21865.59
Exelon	38.29	0.19	42.67	33.30	3.58	9.23	36949.35
ExpScripts	71.93	0.23	85.07	55.80	-	8.89	40593.48
ExxonMb	74.58	0.58	89.30	72.67	4.29	15.41	316029.93
Facebook	158.42	-1.64	195.32	138.77	-	28.12	379561.91
Fedex♦	240.48	0.63	274.66	182.89	0.81	14.30	64259.91
FordMtr	10.87	0.04	13.48	10.14	5.77	5.47	42435
Franklin	38.22	0.11	47.65	36.57	2.27	30.98	21086.11
GenDyn	225.46	1.99	230.00	183.72	1.52	22.56	67204.63
GenElectric♦	13.55	0.66	30.54	12.73	6.48	-19.06	117670.28
GenMills	46.24	0.94	60.69	44.15	4.33	12.05	26364.32
GenMotors	35.57	-0.42	46.76	31.92	4.47	154.67	49891.7
GileadSci♦	75.27	-0.27	89.54	63.76	2.89	20.51	98601.27
GoldmSchs♦	256.45	1.57	275.31	209.62	1.18	27.23	97202.2
Halliburton♦	47.76	0.55	57.86	38.18	1.58	-89.57	41781.32
HCA Hold♦	98.50	0.52	106.84	71.18	-	15.84	34693.44
Hew-Pack♦	22.27	0.07	24.75	17.03	2.40	9.82	36553.39
HiltonWwde♦	80.30	0.32	88.11	55.91	0.78	19.95	25384.28
HomeDep	178.45	2.07	207.61	144.25	1.98	24.62	206520.42
Honywell	147.50	0.56	165.13	122.40	1.94	65.94	110386.16
HumanaInc	270.91	2.81	293.35	203.48	0.73	15.42	37409.2
IBM	154.62	1.25	176.33	139.13	3.99	24.09	142430.98
IllinoisTool	159.33	-0.68	179.07	129.17	1.88	31.36	54047.32
Illumina	243.68	1.40	256.64	167.16	-	47.38	35820.96
Intcntl Exch	73.33	0.33	76.30	57.91	1.14	16.58	42699.64
Intel	53.15	0.67	53.78	33.23	2.12	25.55	248104.2
Intuit	176.75	2.22	179.30	114.80	0.82	48.83	45267.63
John&John	128.26	0.87	148.32	120.95	2.71	261.05	344072.68
JohnsonCn♦	35.04	0.10	44.37	33.89	3.01	20.82	32450.73
JPMrgnCh	111.49	1.18	119.33	81.64	1.99	16.90	380226.71
Kimb-Clark♦	107.50	1.94	134.30	104.58	3.77	16.07	37632.01
KinderM	15.27	0.14	21.92	14.82	3.42	1461.21	33686.64
Kraft Heinz	61.86	0.21	93.88	59.95	4.14	6.61	75399.67
Kroger	24.05	0.18	31.45	19.69	2.15	13.44	21196.75
L Brands	38.50	0.64	63.10	35.00	6.20	11.32	10736.03
LasVegasSd♦	72.99	2.54	79.84	54.71	4.18	19.72	57580.48
LibertyGbl	33.24	-0.04	39.73	28.17	-	-13.89	7303.6
Lilly (E)	76.01	-0.17	89.09	73.69	2.86	-382.71	83056.16
Lockheed	345.40	1.47	363.00	264.04	2.26	49.76	98723.67
Lowes	88.37	-0.93	108.98	70.76	1.83	19.95	73325.94
Lyondell	105.90	0.81	121.95	78.01	3.50	8.25	41783.52
Marathon Ptl	74.14	0.46	74.91	47.78	2.14	10.59	35171.34
Marsh&M	82.49	0.40	86.54	71.79	1.81	27.50	41873.69
MasterCard	177.16	-0.01	183.73	110.33	0.39	46.43	183758.56
McDonald's	159.55	1.54	178.70	128.60	2.51	23.96	126762.14
McKesson♦	140.45	1.16	178.86	133.82	0.92	6.12	28980.36
Medtronic♦	79.38	0.92	89.72	76.41	2.27	39.13	107589.54
Merck♦	54.04	-	66.41	52.97	3.66	59.42	145702.13
Metlife	46.33	0.18	55.91	43.38	3.61	9.78	48022.47
Microsoft	94.13	0.35	97.24	64.35	1.77	73.21	724781.5
Mnstr Bvrg	57.45	0.58	70.22	44.35	-	38.70	32539.84
MondelezInt	41.57	0.24	47.23	39.19	2.06	20.82	61828.24
Monsanto	117.97	0.28	124.20	113.15	1.91	20.95	52008.04
MorganStly	54.77	0.47	59.38	40.06	1.72	17.01	98139.43
MylanNV	40.07	0.21	47.82	29.39	-	29.49	21488.77
Netflix	318.02	-2.33	333.98	138.66	-	243.38	138004.29
NextEraE	162.72	1.29	164.25	127.09	2.52	13.68	76605.24
Nike♦	67.34	1.44	70.25	50.35	1.15	27.91	87404.09
NorfolkS	137.18	0.99	157.15	109.27	1.86	7.05	41651.26
Northrop	358.27	3.04	359.43	233.20	1.14	29.88	62370.36
NXP	122.27	0.66	125.93	102.70	-	20.14	42305.77
Occid Pet♦	66.97	-0.23	78.09	57.20	4.78	37.69	51242.01
Oracle	46.52	0.04	53.48	43.60	1.68	52.71	189909.2
Pepsico♦	108.06	1.25	122.51	105.94	3.06	30.58	153385.26
Perrigo	82.95	1.05	95.93	63.68	0.81	94.47	11685.57
Pfizer	35.41	0.37	39.43	31.67	3.78	9.62	210790.94
Phillips66	96.89	0.89	107.47	75.14	2.95	9.41	48564.89
PhilMorris♦	97.28	0.93	123.55	95.51	4.53	23.99	151103.64
PNCFin	152.45	-0.56	163.59	115.25	1.78	14.08	71893.95
PPG Inds	113.22	1.29	122.07	100.45	1.57	20.36	28228.33
Praxair	146.54	0.43	166.95	115.67	2.25	32.45	42077
Priceline	1905.64	-1.38	2067.99	1612.41	-	39.47	92937.2
ProctGmbl	77.43	1.02	94.67	75.81	3.70	19.70	195201.32
Prudntl	104.98	0.81	127.14	97.88	2.99	5.62	44289.08
PublStor♦	198.00	1.39	232.21	180.48	4.22	28.14	34468.74
Qualcomm	56.58	0.45	69.28	48.92	4.14	-19.06	83758.96
Raytheon	219.01	0.28	222.82	148.65	1.52	30.19	63185.7
Regen Pharm	333.23	2.52	543.55	313.53	-	30.83	35250.88
ReynoldsAm	65.40	-1.49	-	-	-	-	-
S&P Global	192.49	1.21	197.76	127.60	0.89	31.86	47999.13
Salesforce	118.84	-0.13	128.87	80.50	-	702.96	85838.13
Schlmbrg♦	65.53	1.07	80.89	61.02	3.19	-58.04	90821.77
Sempra Energy♦	110.46	0.48	122.98	100.63	3.11	104.62	29150.82
Shrwin-Will	397.25	2.32	435.15	306.05	0.89	19.89	37381.69
SimonProp	150.19	-3.13	176.17	147.28	4.98	23.02	48110.18
SouthCpr	54.36	0.35	56.61	32.63	1.13	55.32	42021.83
Starbucks	58.06	0.26	64.87	52.58	1.89	18.33	81609.14
StateSt	101.77	0.32	114.27	75.37	1.64	18.58	37529.72
Stryker	161.61	1.21	170.00	129.82	1.13	57.69	60298.78
Sychrony Fin	33.67	0.37	40.59	26.01	1.74	13.31	25592.7
Target	69.97	-0.31	78.70	48.56	3.47	13.23	37699.56
TE Connect	100.58	1.62	108.23	71.93	1.63	28.05	35324.34
Tesla Mtrs	295.70	-8.48	389.61	259.75	-	-23.91	49949.46
TexasInstr	106.94	0.34	120.75	75.92	2.07	28.34	105133.33
TheTrvelers♦	138.72	0.50	150.55	113.76	2.13	18.10	37652.49
ThrmoFshr♦	209.84	0.16	226.44	151.74	0.30	35.85	84310.37
TimeWrnr	94.43	0.44	103.89	85.88	1.78	13.60	73641.39
TJX Cos	81.33	0.26	84.79	66.44	1.50	20.64	51425.16
T-MobileUS	61.86	0.47	68.88	54.60	-	11.38	52854.95
UnionPac♦	134.05	1.05	143.05	101.06	1.93	9.60	104465.87
UPS B	104.05	0.35	135.53	101.45	3.34	17.74	71614.86
USBancorp	50.97	-0.32	58.50	49.15	2.38	13.89	84142.85
UtdHlthcre	221.44	2.37	250.79	162.74	1.36	19.76	214279.28
UtdTech	127.83	1.19	139.24	109.10	2.22	21.45	102275.02
ValeroEngy	93.80	-0.45	99.95	60.69	3.12	9.80	40420.51
Verizon	47.69	0.62	54.77	42.80	5.12	6.20	194530.3
VertexPharm	164.74	-1.37	178.25	88.90	-	151.53	41824.9
VF Cp	74.84	0.21	84.38	51.22	2.40	40.00	29688.94
Viacom♦	30.68	0.59	46.72	22.13	2.73	5.87	10827.31
Visa Inc	120.60	-0.04	126.88	88.07	0.60	38.33	217396.52
Walgreen	67.68	0.21	87.79	63.82	2.39	17.90	67048.47
WalMartSto	87.24	-0.26	109.98	69.33	2.48	21.79	260603.47
WellsFargo	52.49	0.20	66.31	49.27	3.07	12.25	255937.34
Williams Cos	25.57	0.12	33.67	24.76	4.91	9.34	21154.76
Yum!Brnds	85.16	1.13	86.93	62.85	1.47	21.61	28316.82
Venezuela (VEF)							
Bco de Vnzla	25000	-2000.00	33150	400.00	45.93	-	1845.12
Bco Provncl	735000	10000	775000	5100	-	41.02	1603.81
Mrcntl Srvcs	2000000	-	3000000	16500	0.01	206.70	2464.03

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.

♦ ex-dividend

■ ex-capital redistribution

price at time of suspension

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
HyundMobis	245000.00	232500.00	12500.00	5.38	19000.00	8.4	5.83
ConocPhil	59.29	59.08	0.21	0.36	4.59	8.4	6.16
Anadarko	62.41	62.59	-0.18	-0.28	3.93	6.7	6.82
Sinopec Corp	6.88	6.93	-0.05	-0.72	0.37	5.7	4.72
Halliburton	47.76	47.21	0.55	1.15	2.27	5.0	0.31
LibertyGbl	33.24	33.28	-0.04	-0.12	1.56	4.9	3.17
Occid Pet	66.97	67.20	-0.23	-0.34	3.06	4.8	0.31
Avago Tech	253.81	247.73	6.08	2.45	11.45	4.7	0.84
EOG Res	105.90	107.57	-1.67	-1.55	4.57	4.5	-0.88
Hermes Intl	473.40	466.20	7.20	1.54	20.40	4.5	7.25
PTT Explor	560.00	560.00	0.00	0.00	24.00	4.5	4.09
CBS	52.48	51.69	0.79	1.53	2.22	4.4	-3.12
Petrobras	23.90	23.91	-0.01	-0.04	1.01	4.4	3.68
Bradesco	37.85	37.96	-0.11	-0.29	1.58	4.4	-0.26
EDF	11.57	11.33	0.25	2.16	0.48	4.3	6.73
GlaxoSmh	1351.00	1288.20	62.80	4.88	53.60	4.1	-98.94
ReckittB	5857.00	5796.00	61.00	1.05	223.00	4.0	-99.00
Marathon Ptl	74.14	73.68	0.46	0.62	2.68	3.8	13.00
Hngzh HikVDT	44.03	42.89	1.14	2.66	1.53	3.6	2.40
CNOOC	11.74	11.74	0.00	0.00	0.40	3.5	0.51

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Abbvie	93.61	95.28	-1.67	-1.75	-19.04	-16.9	-20.96
New Ch Life Ins	37.80	38.00	-0.20	-0.53	-7.50	-16.6	-24.17
Deut Bank	11.31	11.19	0.13	1.14	-1.35	-10.6	-10.63
Swedbank	184.40	184.55	-0.15	-0.08	-21.80	-10.6	-11.81
SvnskaHn	100.10	99.58	0.52	0.52	-11.65	-10.4	-12.08
SaicMtr	33.55	34.09	-0.54	-1.58	-3.77	-10.1	-2.70
ChinaPcIns	36.80	37.10	-0.30	-0.81	-4.05	-9.9	-7.42
SEB	86.40	92.10	-5.70	-6.19	-9.18	-9.6	-12.48
Naspers N	3130.00	3130.00	0.00	0.00	-328.84	-9.5	-5.49
SK Hynix	81400.00	84000.00	-2600.00	-3.10	-8500.00	-9.5	5.03
PingAnIns	83.55	84.00	-0.45	-0.54	-7.95	-8.7	-3.97
Cielo	21.10	21.00	0.10	0.48	-1.88	-8.2	-12.77
BOE Tech	1.60	1.75	-0.15	-8.57	-0.14	-8.0	-6.98
Altice	6.83	6.92	-0.10	-1.42	-0.58	-7.9	-11.95
CredSuisse	15.98	15.78	0.20	1.27	-1.34	-7.7	-9.85
Alexion	110.94	111.55	-0.61	-0.55	-9.28	-7.7	-6.36
PngAnBnk	10.94	10.93	0.01	0.09	-0.89	-7.5	-13.38
GenMills	46.24	45.30	0.94	2.08	-3.69	-7.4	-9.02
Sant Gbn	42.69	42.35	0.34	0.79	-3.13	-6.8	-8.70
Tencent	432.20	426.60	5.60	1.31	-29.60	-6.4	-4.59

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Mar 27	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
Qwest Capital Funding, Inc.	08/21	7.63	B+	WR	BB	102.64	6.73	0.01	0.11	-
High Yield Euro										
Astaldi S.p.A	12/20	7.13	CCC+	-	B	79.91	16.73	-0.53	-2.84	-
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.66	0.18	0.27	0.38
Mexico	03/22	3.63	BBB+	A3	BBB+	101.51	3.22	0.05	0.06	0.60
Brazil	01/23	2.63	BB-	Ba2	BB-	94.75	3.84	-0.02	0.10	1.22
Colombia	03/23	2.63	BBB-	Baa2	BBB	95.50	3.62	-0.02	0.03	1.00
Poland	03/23	3.00	BBB+	A2	A-	99.01	3.22	0.00	0.00	0.60
Turkey	03/23	3.25	-	Ba2	BB+	92.45	4.98	0.02	0.26	2.36
Turkey	03/27	6.00	-	Ba2	BB+	100.63	5.91	0.03	0.29	3.06
Peru	08/27	4.13	BBB+	A3	BBB+	103.80	3.64	0.01	0.02	0.79
Russia	06/28	12.75	BBB-	Ba1	BBB-	166.21	4.58	0.00	0.27	1.73
Brazil	02/47	5.63	BB-	Ba2	BB-	95.60	5.95	-0.02	0.09	-
Emerging Euro										
Mexico	02/20	5.50	BBB+	A3	BBB+	110.30	0.05	-0.02	-0.02	-2.23
Brazil	04/21	2.88	BB-	Ba2	BB-	105.96	0.86	-0.01	0.03	-
Mexico	04/23	2.75	BBB+	A3	BBB+	107.60	1.20	-0.01	0.02	-1.43
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	111.70	1.72	0.01	0.03	-1.14

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

BONDS: GLOBAL INVESTMENT GRADE

Mar 27	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
SunTrust Banks Inc.	01/28	6.00	BBB+	Baa1	A-	110.58	4.64	0.03	0.00	1.79
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa2	A-	117.03	4.69	0.02	-0.03	1.84
Barclays plc	01/28	4.34	BBB	Baa2	A	97.45	4.66	0.04	0.30	1.81
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa2	A-	117.03	4.69	0.02	-0.03	1.84
Barclays plc	01/28	4.34	BBB	Baa2	A	97.45	4.66	0.04	0.30	1.81
SunTrust Banks Inc.	01/28	6.00	BBB+	Baa1	A-	110.58	4.64	0.03	0.00	1.79
Euro										
Barclays plc	08/29	2.29	BBB	Baa2	A	90.28	3.33	-0.01	0.18	0.48
AT&T Inc.	12/29	2.60	BBB+	Baa1	A-	104.23	2.18	0.01	0.06	-0.67
AT&T Inc.	12/29	2.60	BBB+	Baa1	A-	104.23	2.18	0.01	0.06	-0.67
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	128.50	1.95	-0.01	0.03	-0.90
Yen										
Poland	11/27	2.50	-	A2	A-	110.06	1.38	0.00	-0.04	-1.47
£ Sterling										
Cooperatieve Rabobank U.A.	05/29	4.63	BBB+	A3	A	111.73	3.35	-0.01	0.13	0.50
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	131.37	3.12	0.02	0.06	0.27

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL

Mar 27	Rate	Current	Since	Last	Mnth Ago	Year Ago
US	Fed Funds	1.25-1.50	15-06-2017	1.00	1.25-1.50	0.50-0.75
US	Prime	4.75	15-06-2017	4.75	4.25	3.50
US	Discount	0.75	15-06-2017	0.75	1.75	1.00
Euro	Repo	0.00	16-03-2016	0.05	0.00	0.00
UK	Repo	0.50	04-08-2016	0.25	0.25	0.25
Japan	O'night Call	0.00-0.00	01-02-2016	0.00	0.00--0.10	0.00--0.10
Switzerland	Libor Target	0.00-0.25	15-01-2015	0.00-0.75	-1.25--0.25	-1.25--0.25

INTEREST RATES: MARKET

Mar 27 (Libor: Mar 26)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	1.69750	0.000	0.251	0.002	1.87688	2.29496	2.45380	2.67200
Euro Libor	-0.43829	0.001	0.002	0.001	-0.40657	-0.37786	-0.33114	-0.25129
£ Libor	0.47689	0.001	0.003	0.001	0.50406	0.66750	0.78100	0.99150
Swiss Fr Libor				0.007	-0.79625	-0.73420	-0.65060	-0.52520
Yen Libor				0.011	-0.06283	-0.04233	0.01133	0.10800
Euro Euribor				0.000	-0.37000	-0.32900	-0.27100	-0.19100
Sterling CDs				0.000	0.55000	0.78000	0.90500	
US$ CDs				0.000	1.77000	2.14000	2.34000	
Euro CDs				0.000	-0.44500	-0.40500	-0.34500	

Mar 27	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.50	-0.35	-0.50	-0.35	-0.62	-0.37	-0.48	-0.33	-0.42	-0.27	-0.43	-0.18
Sterling			0.45	0.55	0.50	0.60	0.73	0.83	0.83	0.98	1.02	1.17
Swiss Franc	-	-	-	-	-	-	-	-	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-	-	-
US Dollar	1.67	1.77	1.69	1.79	1.89	1.99	2.15	2.25	2.33	2.43	2.58	2.68
Japanese Yen	-0.20	0.00	-1.00	-0.50	-0.30	0.00	-0.25	0.15	-0.20	0.20	-0.15	0.25

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: Tullett Prebon; SDR, US Discount: IMF; EONIA: ECB; Swiss Libor: SNB; EURONIA, RONIA & SONIA: WMBA.

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	192.79	0.15	0.57	1.24	0.12	7.62
Corporates(£)	339.62	0.04	-0.17	-2.04	-0.12	1.57
Corporates($)	271.43	-0.09	-0.51	-2.94	-0.51	-2.94
Corporates(€)	225.25	-0.01	-0.27	-0.57	-0.27	1.93
Eurozone Sov(€)	235.17	-0.04	1.16	0.99	1.25	3.01
Gilts(£)	322.12	0.08	1.45	-0.38	1.54	0.69
Global Inflation-Lkd	272.64	0.18	1.94	1.42	1.62	9.03
Markit iBoxx £ Non-Gilts	334.72	0.03	0.04	-1.70	0.08	1.28
Overall ($)	234.77	-0.02	0.08	-2.13	0.08	-2.13
Overall(£)	322.84	0.07	1.03	-0.77	1.11	0.86
Overall(€)	230.31	-0.03	0.75	0.42	0.81	2.36
Treasuries ($)	220.75	0.03	0.46	-1.74	0.46	-1.74
FTSE						
Sterling Corporate (£)	113.34	0.10	-	-	-0.18	-3.25
Euro Corporate (€)	106.16	0.09	-	-	-0.10	-0.56
Euro Emerging Mkts (€)	614.34	13.22	-	-	-6.48	-20.04
Eurozone Govt Bond	112.14	0.22	-	-	1.31	0.80

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	286.65	-7.14	0.74	-	295.64	283.64
Europe 5Y	60.47	-1.52	1.70	-	61.99	58.21
Japan 5Y	50.05	-0.73	-2.77	-	52.96	49.57
Senior Financials 5Y	66.90	-2.00	4.52	-	68.89	62.18
Markit CDX						
Emerging Markets 5Y	143.23	-5.44	-	-	148.67	138.90
Nth Amer High Yld 5Y	-	-	-	-	-	-
Nth Amer Inv Grade 5Y	65.14	-3.90	-	-	69.04	61.70

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names.

VOLATILITY INDICES

	Mar 27	Day Chng	Prev	52 wk high	52 wk low
VIX	20.24	-0.79	21.03	50.30	8.56
VXD	21.58	0.13	21.45	40.09	3.93
VXN	24.25	-0.90	25.15	38.11	11.03
VDAX	-	-	-	-	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	10/19	2.75	101.14	2.01	0.04	0.07	0.13	0.15
	11/28	2.75	100.50	2.70	0.02	-0.04	-0.11	-0.20
Austria	10/19	0.25	101.28	-0.57	0.01	0.00	-0.05	0.00
	04/27	0.50	98.82	0.64	0.00	-0.04	-0.13	-
Belgium	09/20	2.10	106.03	-0.36	0.00	0.00	-0.04	-0.02
	06/27	0.80	101.10	0.68	-0.01	-0.05	-0.14	-0.21
Canada	02/20	1.25	98.87	1.88	0.01	0.10	0.09	-
	06/28	2.00	97.77	2.25	0.03	0.06	-0.02	-
Denmark	11/19	4.00	107.58	-0.60	0.01	-0.01	-0.05	-0.21
	11/27	0.50	99.32	0.57	-0.01	-0.05	-0.15	-0.10
Finland	09/20	0.38	101.94	-0.41	0.01	-0.02	-0.06	-0.03
	09/27	0.50	98.83	0.63	0.00	-0.06	-0.15	-
France	11/19	0.50	101.78	-0.56	0.00	-0.01	-0.03	-0.19
	05/23	1.75	108.79	0.04	0.01	-0.03	-0.11	-0.28
	05/28	0.75	99.92	0.76	0.00	-0.05	-0.17	-
Germany	10/19	0.25	101.40	-0.65	0.01	-0.01	-0.04	0.05
	08/23	2.00	110.97	-0.04	0.00	-0.03	-0.11	0.11
	08/27	0.50	100.32	0.47	0.00	-0.05	-0.13	-
	08/48	1.25	102.06	1.17	0.00	-0.04	-0.12	-
Greece	04/19	4.75	103.39	1.49	0.01	0.13	-0.29	-6.84
	01/28	3.75	94.75	4.42	0.04	0.23	0.00	-
Ireland	10/19	5.90	110.11	-0.54	0.01	0.01	-0.02	-0.26
	05/30	2.40	114.85	1.09	0.00	-0.05	-0.17	-0.42
Italy	06/20	0.35	101.03	-0.11	0.03	-0.06	-0.16	-
	08/22	0.90	101.28	0.60	0.04	-0.04	-0.14	-
	08/27	2.05	101.94	1.82	0.04	-0.04	-0.19	-
	03/47	2.70	97.06	2.85	0.03	-0.03	-0.16	-0.46
Japan	11/19	0.10	100.41	-0.15	0.00	0.00	0.00	-
	09/22	0.10	101.01	-0.12	0.00	-0.01	-0.02	-
	09/27	0.10	100.91	0.00	0.01	-0.01	-0.04	-
	09/47	0.80	101.63	0.74	0.00	-0.02	-0.02	-
Netherlands	01/20	0.25	101.58	-0.62	0.01	-0.02	-0.06	-0.02
	07/27	0.75	101.75	0.56	0.00	-0.05	-0.14	-0.09
New Zealand	04/20	3.00	102.20	1.90	0.03	-0.01	0.02	-0.48
	04/27	4.50	113.55	2.80	0.02	-0.07	-0.15	-0.44
Norway	-	-	-	-	-	-	-	-
	05/19	4.50	104.23	0.79	0.01	0.04	0.15	0.16
Portugal	06/20	4.80	110.99	-0.15	-0.01	-0.01	-0.10	-1.27
	04/27	4.13	121.64	1.54	0.00	-0.01	-0.28	-2.60
Spain	07/20	1.15	103.26	-0.24	0.00	-0.06	-0.15	-0.27
	10/27	1.45	102.32	1.19	-0.01	-0.07	-0.29	-
Sweden	03/19	4.25	104.81	-0.75	0.00	-0.01	0.01	-0.19
	11/26	1.00	103.75	0.55	0.00	-0.02	-0.08	-0.14
Switzerland	07/20	2.25	107.13	-0.84	0.00	-0.01	0.00	-0.12
	06/27	3.25	129.77	0.03	0.00	-0.02	-0.03	0.05
United Kingdom	07/20	2.00	102.53	0.90	0.00	0.07	0.10	0.60
	07/23	0.75	97.66	1.21	0.00	0.06	0.04	-
	07/27	1.25	97.97	1.48	0.00	0.02	-0.05	0.22
	07/47	1.50	94.28	1.75	-0.01	-0.03	-0.16	-0.02
United States	11/19	1.75	99.13	2.28	0.03	0.00	0.07	-
	10/22	2.00	97.33	2.62	0.02	-0.01	0.02	-
	11/27	2.25	94.97	2.85	0.01	-0.01	-0.03	-
	11/47	2.75	93.71	3.08	0.00	0.00	-0.08	-

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

GILTS: UK CASH MARKET

Mar 27	Price £	Red Yield	Change in Yield Day	Change in Yield Week	Change in Yield Month	Change in Yield Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
Tr 1.25pc '18	100.25	0.46	0.00	9.52	1050.00	206.67	104.59	100.00	34.84
Tr 4.5pc '19	103.60	0.66	-1.49	-1.49	3.13	340.00	108.55	103.60	36.35
Tr 4.75pc '20	107.60	0.80	-2.44	0.00	8.11	300.00	113.56	107.56	33.31
Tr 1.5pc '21	101.57	0.93	-2.11	0.00	5.68	158.33	104.73	101.42	32.46
Tr 4pc '22	111.71	0.97	-2.02	-1.02	0.00	115.56	117.84	111.51	37.95
Tr 5pc '25	125.05	1.23	-1.60	-2.38	-6.11	43.02	132.93	124.15	35.08
Tr 1.25pc '27	98.26	1.45	-2.03	-3.97	-8.23	16.00	102.29	96.41	23.45
Tr 4.25pc '32	133.02	1.63	-1.21	-4.12	-9.44	6.54	139.13	129.40	35.44
Tr 4.25pc '36	139.43	1.69	-1.17	-3.98	-10.58	0.60	144.09	134.34	29.76
Tr 4.5pc '42	154.97	1.75	-0.57	-2.78	-10.71	-1.69	159.30	147.31	26.64
Tr 3.75pc '52	154.62	1.66	0.00	-2.35	-10.75	-1.78	159.09	144.61	23.59
Tr 4pc '60	175.21	1.55	0.00	-2.52	-11.43	-4.32	179.15	162.07	23.61

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Indices

Fixed Coupon	Mar 27	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	92.69	0.05	2403.38	-0.01	-1.00	0.92
2 5 - 10 Years	178.63	0.20	3434.63	0.75	-1.23	1.30
3 10 - 15 Years	210.60	0.25	4199.37	1.67	-0.31	1.59
4 5 - 15 Years	186.04	0.22	3623.27	1.06	-0.94	1.42
5 Over 15 Years	339.22	0.15	5238.38	4.22	2.48	1.66
7 All stocks	178.70	0.14	3581.57	2.06	0.55	1.57

Index Linked	Mar 27	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	308.51	0.07	-0.23	-2.47	2440.90	-0.23	-1.03
2 Over 5 years	707.34	-0.15	2.06	-0.67	5287.43	2.11	-0.15
3 5-15 years	469.52	0.17	0.24	-2.13	3657.49	0.26	-1.10
4 Over 15 years	911.94	-0.26	2.68	-0.19	6662.52	2.74	0.16
5 All stocks	639.18	-0.13	1.85	-0.83	4850.06	1.89	-0.24

Yield Indices	Mar 27	Mar 26	Yr ago		Mar 27	Mar 26	Yr ago
5 Yrs	1.06	1.09	0.44	20 Yrs	1.78	1.79	1.80
10 Yrs	1.48	1.50	1.18	45 Yrs	1.52	1.52	1.62
15 Yrs	1.71	1.73	1.63				

Real yield	inflation 0% Mar 27	inflation 0% Dur yrs	inflation 0% Previous	inflation 0% Yr ago	inflation 5% Mar 27	inflation 5% Dur yrs	inflation 5% Previous	inflation 5% Yr ago
Up to 5 yrs	-1.66	3.00	-1.64	-2.50	-2.11	3.01	-2.09	-3.21
Over 5 yrs	-1.58	24.55	-1.58	-1.67	-1.61	24.64	-1.61	-1.70
5-15 yrs	-1.53	9.22	-1.51	-1.90	-1.65	9.25	-1.63	-2.03
Over 15 yrs	-1.58	29.73	-1.59	-1.65	-1.60	29.77	-1.61	-1.66
All stocks	-1.58	22.62	-1.58	-1.67	-1.61	22.74	-1.62	-1.71

See FTSE website for more details www.ftse.com/products/indices/gilts

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COMMODITIES

www.ft.com/commodities

Energy		Price*	Change
Crude Oil†	Apr	66.32	0.81
Brent Crude Oil‡		70.30	0.25
RBOB Gasoline†	Mar	2.03	0.02
Heating Oil†	Apr	1.68	0.00
Natural Gas†	Apr	2.67	-0.01
Ethanol♦		-	-
Uranium†	Apr	18.10	0.00
Carbon Emissions‡		-	-
Diesel†		-	-
Unleaded (95R)		-	-
Base Metals (♠ LME 3 Months)			
Aluminium		2048.00	-0.50
Aluminium Alloy		1800.00	-55.00
Copper		6668.50	45.00
Lead		2408.00	22.00
Nickel		13005.00	0.00
Tin		20905.00	20.00
Zinc		3286.00	14.50
Precious Metals (PM London Fix)			
Gold		1341.45	-10.95
Silver (US cents)		1664.00	3.00
Platinum		950.00	-4.00
Palladium		976.00	-10.00
Bulk Commodities			
Iron Ore (Platts)		63.45	0.40
Iron Ore (The Steel Index)		76.55	-1.30
GlobalCOAL RB Index		90.55	1.30
Baltic Dry Index		1117.00	-9.00

Agricultural & Cattle Futures		Price*	Change
Corn♦	May	375.75	1.50
Wheat♦	May	454.50	0.25
Soybeans♦	May	1028.75	2.00
Soybeans Meal♦	May	377.10	2.60
Cocoa (ICE Liffe)✠	May	1776.00	-39.00
Cocoa (ICE US)♥	May	2573.00	-61.00
Coffee(Robusta)✠	May	1736.00	44.00
Coffee (Arabica)♥	May	118.05	-0.15
White Sugar✠		356.20	-0.40
Sugar 11♥		12.49	0.03
Cotton♥	May	81.99	0.26
Orange Juice♥	May	137.85	-0.65
Palm Oil♣		-	-
Live Cattle♣	Apr	115.15	0.00
Feeder Cattle♣	Apr	134.35	-1.88
Lean Hogs♣	Apr	58.10	0.00

	Mar 26	% Chg Month	% Chg Year
S&P GSCI Spt	453.44	0.00	19.98
DJ UBS Spot	87.31	-1.97	3.27
R/J CRB TR	200.86	1.99	2.66
M Lynch MLCX Ex. Rtn	231.14	-9.84	-33.05
UBS Bberg CMCI TR	15.34	-1.58	-
LEBA EUA Carbon	11.05	-1.78	123.23
LEBA CER Carbon	0.18	5.88	-33.33
LEBA UK Power	1845.00	-80.41	-20.82

Sources: † NYMEX, ‡ ECX/ICE, ♦ CBOT, ✠ ICE Liffe, ♥ ICE Futures, ♣ CME, ♠ LME/London Metal Exchange.* Latest prices, $ unless otherwise stated.

BONDS: INDEX-LINKED

	Price Mar 26	Yield Mar 26	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 21	114.67	0.240	0.224	0.21	5.18	75380.75	8
Fr 2.25%' 20	110.43	-2.073	-2.047	0.17	20.31	242454.82	15
Swe 0.25%' 22	114.05	-2.009	-1.993	0.33	32.01	243040.33	8
UK 2.5%' 20	361.50	-2.321	-2.324	-0.27	6.58	655913.13	28
UK 2.5%' 24	357.09	-1.708	-1.715	-0.44	6.82	655913.13	28
UK 2%' 35	266.95	-1.621	-1.626	0.92	9.08	655913.13	28
US 0.625%' 21	101.15	0.275	0.257	0.51	35.84	1285803.96	39
US 3.625%' 28	127.44	0.781	0.257	0.37	16.78	1285803.96	39

Representative stocks from each major market Source: Merill Lynch Global Bond Indices † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	2.70	2.23	-0.15	Italy	1.82	1.36	-1.03
Austria	0.64	0.17	-2.22	Japan	0.00	-0.46	-2.85
Belgium	0.68	0.21	-2.17	Netherlands	0.56	0.09	-2.29
Canada	2.25	1.79	-0.60	Norway	-	-	-
Denmark	0.57	0.11	-2.28	Portugal	1.54	1.08	-1.31
Finland	0.63	0.16	-2.22	Spain	1.19	0.73	-1.66
France	0.76	0.29	-2.09	Switzerland	0.03	-0.44	-2.82
Germany	0.47	0.00	-2.39	United Kingdom	1.48	1.02	-1.37
Greece	4.42	3.95	1.57	United States	2.85	2.39	0.00
Ireland	1.09	0.62	-1.76				

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

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Guide to pricing of Authorised Investment Funds: (compiled with the assistance of the IMA. The Investment Management Association, 65 Kingsway, London WC2B 6TD.
Tel: +44 (0)20 7831 0898.)

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Different share classes are issued to reflect a different currency, charging structure or type of holder.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.

Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: ✠ 0001 to 1100 hours; ♦ 1101 to 1400 hours; ▲ 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available. Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation.

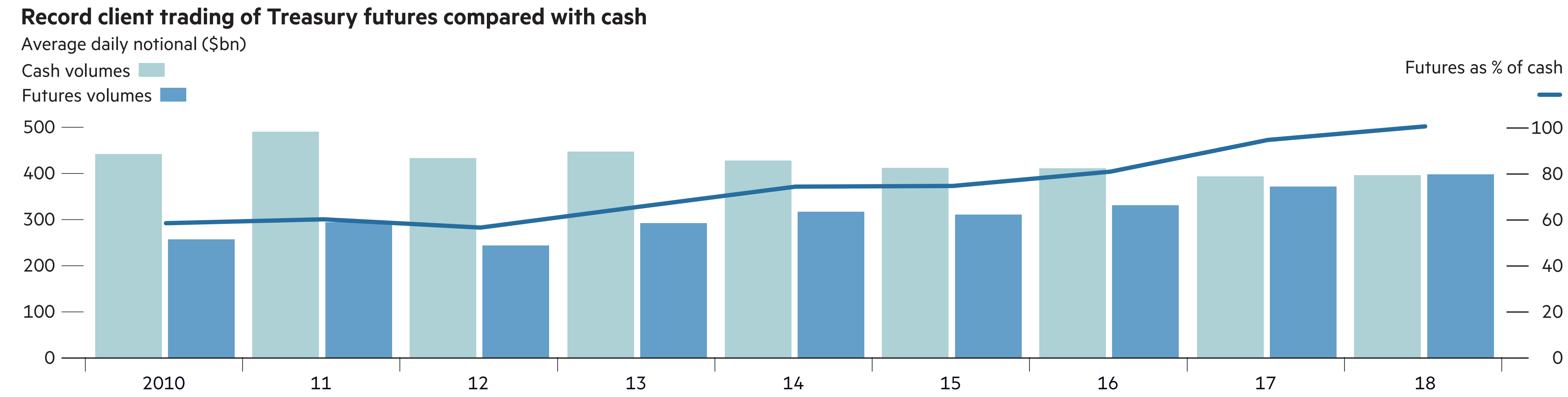
Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. * Indicates funds which do not price on Fridays.

Charges for this advertising service are based on the number of lines published and the classification of the fund. Please contact **data@ft.com or call +44 (0)20 7873 3132** for further information.

Analysis. Capital markets

CME eyes pole position in Treasury trades with audacious bid for Nex

Record client trading of Treasury futures compared with cash



Source: CME

Benefits of a merged platform are hard to ignore for groups under pressure to save costs

PHILIP STAFFORD

Shake-ups are rare in the world's largest government bond market. But a successful bid from Chicago's CME for London's Nex Group could herald the biggest change in the trading of US government debt in a decade.

The audacious approach by the CME's hard-charging chief executive Terry Duffy for Nex, run by veteran City entrepreneur Michael Spencer, would for the first time unite the trading of the cash bonds — dominated by Nex's BrokerTec platform — with an interest rate futures market that is in the CME's grip.

Analysts say CME's contemplation of a takeover underlines how the post-crisis landscape has forced banks — which have long favoured keeping the two pools of trading separate — to recognise the cost benefits of a common platform.

For most of its history BrokerTec, the crown jewel in Nex, only handled trading by banks before more recently allowing nimble electronic groups such as Citadel Securities, Virtu Financial and DRW to use the platform. In contrast, the CME has for decades catered to a broader spectrum of traders and institutional investors who use futures contracts to hedge and take advantage of price swings in bonds.

"There are a lot of buyside firms who trade derivatives with CME. If BrokerTec were to ever open up to the buyside, CME could provide institutions with seamless clearing and settlement for cash Treasuries," said Jim Greco, co-founder of Direct Match, a start-up trading venue that failed to break into the Treasury market.

Banks and high-frequency trading groups say a combination of the two companies should lower their overall trading costs as they will be able to make more efficient use of the capital that regulations require them to back their bond and futures trades with.

Under UK takeover rules, the Chicago group has until April 12 to firm up its interest in Nex. If it does, it will be the CME's first overseas acquisition and its first major deal since it paid almost $10bn for Nymex, the commodities and metals exchange, in 2008.

It would also strengthen Mr Duffy's position as one of the most powerful executives in financial markets.

Banks and traders will be hoping a deal improves a market that even the US Treasury admits is inefficient and presents potential risks, such as non-settlement of bonds.

A reshaping of the plumbing of the Treasury market comes at a pivotal time. The US Federal Reserve is raising interest rates and shrinking its balance sheet, increasing the chance of divergences in the value of futures contracts and cash bonds.

Many banks still perform the crucial role of underwriting the US national debt via huge and growing sales of Treasury bonds each month.

But Kevin McPartland, an analyst at Greenwich Associates, a consultancy, points out that banks have also adapted their trading, and are as likely to trade futures as they are the cash market.

As much notional business is traded on CME's Treasury futures today as on the underlying bond market. In 2004, futures volumes were only 35 per cent of the cash market.

"[It] now heavily relies on futures prices when trading in the cash markets," said Mr McPartland.

Bringing both markets together at the CME's clearing house could also cut the amount of margin that institutions need to post to back both their futures and securities trades.

A clearing house sits between the counterparties to a trade and manages the risk to the market if one side defaults. A deal enabling more centralised clearing would also hold an attraction for regulators which have been pushing for that since the financial crisis.

"If we can settle at a clearing house, that [can] help make the market more efficient," admits the head of rates trading at an investment bank.

A successful deal could also serve electronic traders, who complain that banks still control access to clearing and repo markets.

Nex operates the main venue for the $5tn repo market, which investors use to finance their positions in the US Treasury market. Access is controlled by the banks.

That leaves others relying on banks' membership of the FICC, a unit of the Depository Trust and Clearing Corporation, to clear their securities deals. The FICC is owned by its members, which are the investment banks.

With a potential combination of Nex and the CME, one executive at a principal trading group suggested CME "could effectively be an independent prime broker to the Treasury market".

Prime brokerage is best known in the hedge fund world where it refers to a mix of securities lending, cash management and trading services an investment bank offers a fund.

The analogy only underlines the pole position the CME Group will assume in the world's most important bond market if Mr Spencer and his fellow Nex shareholders decide to sell.

A successful deal would strengthen the position of Terry Duffy, CME's chief executive
FT Graphic/Alamy

'If BrokerTec were to open up, CME could provide institutions with seamless clearing and settlement for cash Treasuries'

Tail risk

Stay tuned to Spotify's content costs after listing

JAMIE POWELL

When valuing Spotify, investors should be wary of what its content costs and how much the Swedish streaming service pays for its music.

Spotify currently pays content providers 88.7 per cent of revenues but hopes to reduce this to about two-thirds. Investors have duly pencilled this future cost reduction into their models, extending a generous valuation to Spotify.

This may be too optimistic.

We all know about the music industry's travails since the spread of the internet. Throughout the tumult, the labels have clung to their back catalogues and this puts them in a position of strength in the streaming age.

According to Spotify's F-1 filing, 85 per cent of its music is owned by the three major labels — Universal, Sony and Warner — and Merlin, a network for independents.

The major labels also hold equity in Spotify and this helped the company when it was renegotiating licensing terms last year.

The major labels were keen to cut a deal as they faced dilution from Spotify's convertible bond, whose covenants stipulate that the lenders — in this case TPG and Dragoneer — would get additional equity the longer it took Spotify to go public.

If the labels choose to sell, or partially sell their stakes after the listing, future negotiations may look different.

Profitability concerns are further exacerbated by Spotify's primary competitor, Apple Music.

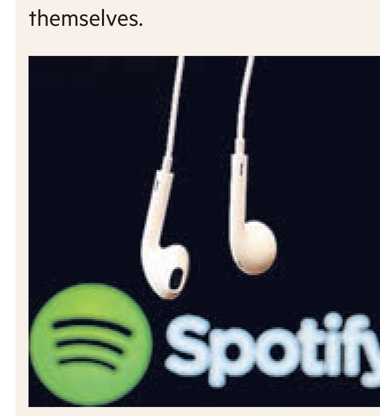
Just like Netflix's battle with Amazon Prime Video, Spotify faces a rival with little interest in running a high-margin service. For Apple, music is simply another way to keep users tied into the iOS ecosystem and buy more iPhones.

This means Apple could pressure Spotify by accepting licensing terms that are better for the labels.

Spotify could slash its research and development spending to boost margins, or follow Netflix and develop its own content.

The issue for investors will be whether Spotify, with the largest user base of any of the streaming platforms and revenue growth of 39 per cent last year, can rise above these challenges.

Spotify shareholders may find they own a business that delights everyone — from users to labels — bar themselves.



Spotify pays content providers 88.7 per cent of revenues

Equities

Asia's race for lucrative 'new economy' IPOs raises fears over quality and risk

EMMA DUNKLEY — HONG KONG

Governance experts are raising concerns over the quality of companies poised to list in Asia as stock exchanges push ahead with big reforms to attract blockbuster listings and boost their businesses.

Hong Kong Exchanges and Clearing and mainland China's Shenzhen and Shanghai exchanges are pursuing efforts to entice a wider array of companies, such as technology and biotech firms, to list on their markets.

The race to lure fast-growing companies has been fuelled by mounting competition among trading venues to secure lucrative listings in the technology and "new economy" sectors. In the past few months, Hong Kong, mainland China and Singapore have unveiled blueprints for expanding their listings.

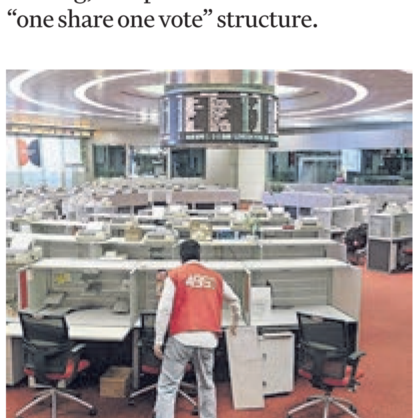
Analysts at KPMG said they expected the amount of funds raised on HKEX through initial public offerings to reach HK$250bn ($32bn) by the end of 2018, up from their previous estimate of HK$200bn. The consultancy firm said its revised figure was due to the exchange's planned listing revamp designed to enable biotech and other "innovative" firms to "become the new growth drivers".

In the first quarter of this year, companies listing on HKEX raised HK$24.4bn, nearly double the amount in the same period last year, KPMG said.

But analysts have expressed concern over the potential risks investors face as a result of the new listing regimes.

One of the proposed changes in Hong Kong, set to take effect in the second quarter, is the introduction of weighted voting rights.

They would give company founders greater voting power over ordinary shareholders in relation to their equity holding, compared with the traditional "one share one vote" structure.



IPOs on the Hong Kong exchange could jump to $32bn this year

So-called dual-class share structures allow founders to retain a degree of control over the company's strategy, and have proven popular among entrepreneurs, technology firms and Chinese family-owned businesses.

The Singapore Exchange this year unveiled its plans to allow companies to list with dual-class shares, in the wake of the HKEX proposal.

Jamie Allen, founding secretary-general of the Asian Corporate Governance Association, said the governance body wrote to the Hong Kong exchange last week about its concerns.

"By bringing in weighted voting rights and secondary listings, Hong Kong and Singapore are leading a race to the bottom," Mr Allen told the Financial Times. "We do think the business side of exchanges is taking precedence over the regulatory side."

China's securities regulator said recently that it was considering letting offshore-listed Chinese technology companies sell a special type of share, called a Chinese depository receipt, on mainland trading venues, in a move to encourage large tech groups such as New York-listed Alibaba also to list on local exchanges.

Analysts said that could mean additional competition for HKEX.

Capital markets

EM corporate bond defaults lower than advanced economy peers since 2004

STEVE JOHNSON

Default rates for bonds issued by emerging market companies have been lower than those of their developed world counterparts since 2004, according to analysis by Moody's.

The research confounds the popular perception that emerging economies are inherently less creditworthy than advanced countries and therefore should pay higher yields on debt to compensate investors for a greater default risk.

The average yield on the Barclays EM Dollar Aggregate Corporate Bond index is currently 5.11 per cent, well above the 2.97 per cent for the bank's developed world measure.

Yet since 2004, the annual default rate for EM corporate debt, whether denominated in hard or local currency, has averaged just 1.8 per cent, lower than the 2 per cent rate seen in advanced economies. The EM default rate has fallen steeply from peaks of 10.3 per cent in the wake of the Asian financial crisis in 1999, and 15.4 per cent during the dotcom crash of 2001.

"There has been this misconception. Emerging markets have been perceived to be riskier than developed markets," said Max Wolman, senior investment manager at Aberdeen Standard Investments, who attributed this to many EM companies being located in "areas of political noise", such as Russia.

The dramatic improvement for EM corporate debt is an issue of ever greater importance for investors, given that a net $7.8bn has been poured into the sector since 2010, according to data from EPFR Global.

Oleg Kouzmin, an economist at Renaissance Capital, an investment bank focused on emerging markets, argued credit standards in EMs had been driven up by a shift from syndicated lending to issuance of tradeable bonds, which has been accompanied by a step-change in transparency and oversight.

However, Mr Kouzmin feared the low default rate might not last given that some debt-funded investment projects only received the green light because interest rates were very low.

"This might become an issue. If interest rates go up from 0.5 per cent to 2 per cent, the payments go up four times. At some stage interest rates might go up faster than markets expect," he said.

Mr Wolman disagreed, however, arguing that many EM borrowers could draw on support from state-backed banks in times of stress. While around a quarter of US energy companies defaulted after the slump in commodity prices in 2014-15, he said only 3 per cent of their EM peers did, largely because they could call on state support.

The analysis by Moody's highlighted that EM corporate bond defaults are primarily driven by macroeconomic factors such as sovereign and banking crises, currency volatility and exchange controls, particularly as much of the borrowing is in foreign currencies such as the US dollar.

Developed world defaults, in contrast, tend to be caused by adverse industry trends, such as the downturns that hit the telecoms sector in 2001-02 and the oil and gas industry in 2016.

Developed countries have seen 1,554 defaults of corporate bonds rated by Moody's since 1998, compared to 162 in emerging economies.

At the country level, the US has suffered 1,281 defaults, Canada 86 and the UK 53. Among EMs, 31 have occurred in Brazil, 27 in Mexico and 22 in Indonesia.

The study confounds the perception that emerging markets are inherently less creditworthy

Markets & Investing

FINANCIAL TIMES

The day in the markets

What you need to know

- European and Asian equities gain
- Progress more mixed on Wall Street amid a dip for US consumer confidence
- Dollar recovers from two-session slide
- US Treasuries find support

Global stock markets extended gains, although momentum was more stop-start on Wall Street, while the dollar and Treasuries found buyers.

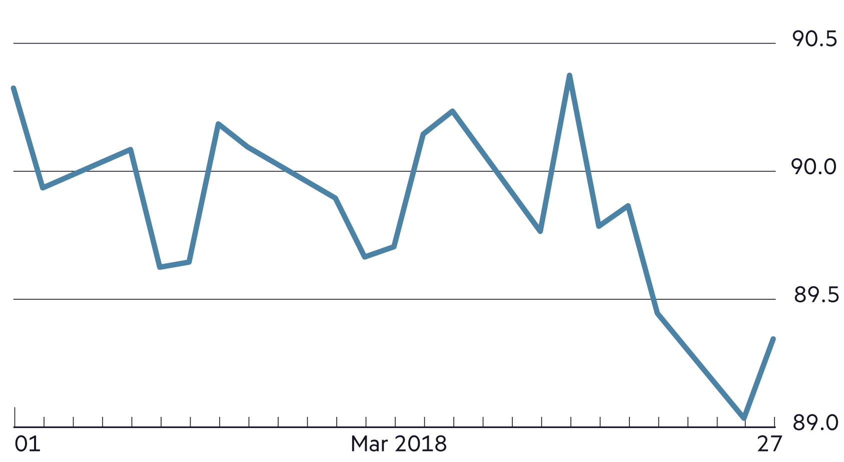
European equity markets enjoyed their strongest one-day gains for nearly two months as the Euro Stoxx 600 climbed 1.2 per cent. Tokyo's Nikkei 225's 2.7 per cent jump — its best performance in three months — stood out amid gains of 1.3 per cent in Asia.

Both the region's markets benefited after Wall Street on Monday had its strongest rally since 2015 on hopes the US and China would avoid a trade war.

This represented a partial rebound from losses that exceeded 2 per cent on both Thursday and Friday last week that analysts had dubbed the "tariff tantrum".

"Risk traded positively across markets after the S&P 500 bounced off the 200 moving day average again with our equity strategists remaining confident that the S&P will trade to above 2,800 this year," said Hans Redeker of Morgan Stanley. "We argue that risk should stay supported going into April, when risk assets have tended to outperform and strong first-quarter earnings should propel shares higher."

US dollar index stems run of losses



Source: Thomson Reuters Datastream

By mid-session yesterday, the S&P 500 had climbed 0.4 per cent to 2,670 after slipping between gains and losses in early trading.

US consumer confidence figures helped to trim risk appetite a little after slipping lower for March.

But analysts at Action Economics noted that the headline figure was "still a robust 127.7, just off the 17-year high of 130.0 in February and above the 124.3 figure in January".

After two sessions of losses of about half a per cent, the US dollar recovered poise to climb 0.3 per cent on a trade-weighted basis. "We still view it as fundamentally and technically vulnerable," said Shaun Osborne of Scotiabank. "We expect investors to gravitate away from the dollar as the global economy picks up momentum."

US Treasuries also found support, with 10-year yields slipping 2 basis points to 2.81 per cent, while dollar strength took an edge off crude oil gains. Brent was little changed at $70.21 a barrel after earlier rising more than 1 per cent.
Stephen Smith

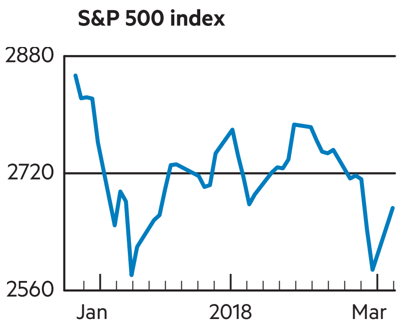
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	2672.67	1438.35	21317.32	6999.88	3166.65	84928.27
% change on day	0.53	1.24	2.65	1.61	1.05	-0.19
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	89.578	1.240	105.770	1.414	6.273	3.329
% change on day	0.619	-0.322	0.681	-0.632	-0.216	0.685
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	2.820	0.500	0.034	1.417	3.753	9.437
Basis point change on day	-1.560	-2.000	1.250	-2.100	2.900	-3.600
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	337.30	70.30	65.59	1341.45	16.64	3183.70
% change on day	0.66	0.36	0.14	-0.81	0.18	-0.18

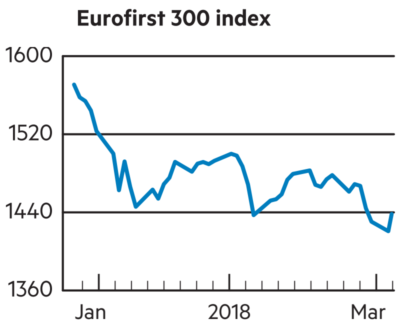
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

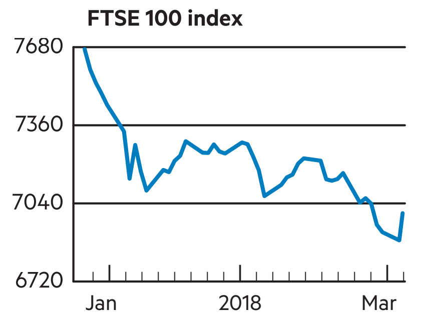
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	General Electric	5.13	Casino Guichard	3.75	Ferguson	6.70
	Red Hat	3.93	Akzo Nobel	3.46	Glaxosmithkline	4.88
	Wynn Resorts	3.06	Deutsche Boerse	3.45	Shire	3.94
	Altria	2.72	Skf	3.20	Scottish Mortgage Investment Trust	3.41
	Mattel	2.65	Infineon Tech	3.07	Glencore	3.18
Downs	Macerich (the)	-4.50	Skandinaviska Enskilda Banken	-6.19	Next	-1.60
	Ggp	-3.83	Hennes & Mauritz	-5.04	Randgold Resources Ld	-1.33
	Range Resources	-3.08	Ses	-2.77	Fresnillo	-0.95
	Simon Property	-2.04	A.p. Moller - Maersk B	-1.72	Royal Bank Of Scotland	-0.35
	Newell Brands	-1.84	Ageas	-1.32	Gkn	-0.28

Prices taken at 17:00 GMT — Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Wall Street

Telecoms, utilities and consumer cyclicals were the best-performing sectors on the S&P 500, while energy and healthcare were the only two to retreat.

Verizon was up 0.27 per cent, **AT&T** 0.14 per cent and **T-Mobile** 0.36 per cent. However, **Comcast** was down 0.36 per cent and **Spring Corporation** by 0.90 per cent.

Earlier this year, Verizon said it expected to boost its cash flow in 2018 by between $3.5bn and $4bn on the back of the largest US tax overhaul in decades, as it reported quarterly sales that exceeded analysts' estimates.

T-Mobile, reporting last month, meanwhile said it had added 1.9m customers in the fourth quarter, putting it in a strong position for this quarter.

The energy sector's decline saw **Valero** down 1.05 per cent, **EOG Resources** lower by 1.70 per cent, **Marathon Oil** down 1.04 per cent and **ConocoPhillips** flat.

Bucking the trend, however, were **Exxon Mobil**, up 0.25 per cent and **Chevron**, 0.48 per cent higher.

In healthcare, which also struggled, **Walgreens Boots Alliance** was 0.40 per cent lower and **CVS Health** was 0.26 per cent down. **UnitedHealth**, however, was 0.69 per cent higher.
Peter Wells and Mamta Badkar

Eurozone

H&M sunk to six-year lows on quarterly results, closing down 5 per cent. Margin pressure from clearance sales meant its fiscal first-quarter profit fell more than expected at 62 per cent, while inventories grew 7 per cent, suggesting no let up in the discounting.

"We are concerned that inventory continues to build up," said Barclays. "Although the weaker dollar will likely start to benefit gross margins in the second quarter, we don't think that will provide sufficient relief given the build-up of stock and the company's more fundamental product issues."

Zurich Insurance extended gains, having been pushed up sharply late on Monday by talk that a significant deal was in the works, with traders speculating about potential suitors. It closed up 1.5 per cent.

Casino was in demand, closing up nearly 4 per cent, after its Monoprix supermarket signed a deal to sell groceries to Amazon's Prime Now customers in Paris. Monoprix will pack items at its own stores for Amazon to deliver within an hour or two of ordering, so the express service will not affect the group's contract with Ocado to offer scheduled deliveries from a central warehouse. *Bryce Elder*

London

The FTSE 100 bounced off a 15-month low, with dollar earners such as **Carnival** among the top performers after sterling retreated sharply.

GlaxoSmithKline gained after agreeing to buy Novartis out of their joint venture. The $13bn deal eased concerns that GSK might sacrifice its dividend to pay for a more ambitious takeover.

Sector peer **Shire** was helped by MainFirst Bank starting coverage with "buy" advice and a £36 target.

Ferguson, the US-focused builders' merchant, jumped after announcing a cash return with interim results that exceeded consensus forecasts.

Next and **Marks and Spencer** underperformed after H&M said, with weaker than expected results, its inventory levels were continuing to build, so clearance sales would continue to hold back margins into 2019.

Superdry was the FTSE 250's biggest faller on news that Julian Dunkerton, the fashion label's co-founder and brand director, was to step down.

JD Wetherspoon rose after Stifel took the pubs group off its "sell" list on valuation grounds. The company's ability to lift market share and deliver earnings upgrades meant it deserved its premium to the sector, Stifel said. *Bryce Elder*

Go passive on A-shares and be exposed to the murky and the highly leveraged

James Kynge
Markets Insight

With a trade war looming between China and the US, now may not be the best time to consider buying domestic Chinese A-shares.

Yet that is what emerging markets funds are obliged to do.

The inclusion in June and September of some 235 Chinese A-shares into the benchmark MSCI Emerging Markets Index means funds that measure their performance against the index will be impelled to own stocks listed on the Shanghai and Shenzhen exchanges.

This raises the obvious question of what to buy. Market valuations are high, with Shanghai's average price-to-earnings ratio at around 18. Corporate debt levels are the highest in the world at about 170 per cent of GDP. Sudden corporate ruptures are fairly common.

For these reasons, several experts suggest that passive strategies — such as index investing through exchange traded funds — are fraught with risk because such indiscriminate approaches are likely to raise exposure to highly valued, highly leveraged, non-transparent companies as well as those with more attractive fundamentals.

"It is much better to be an active manager for Chinese A-shares, because the opportunity does not lie evenly across the market," said Geoffrey Yu, head of the UK investment office at UBS, an investment bank.

Jiazhi Chen Seiler, fund manager with Julius Baer, agrees. "Active management in China's domestic A-share market is essential. A narrow selection of stocks is best," she said.

It is not that the A-share market lacks opportunities for investors, analysts say. Several companies in the information technology, artificial intelligence, healthcare and consumer sectors were growing fast, outpacing those in "old economy" sectors such as steel, aluminium and cement, Ms Chen Seiler said.

One big potential pitfall for A-share investors was capital-hungry companies, she said.

"I look to invest in companies that can sustain their expansion plans primarily through their own earnings, and without having to borrow too heavily or issue more shares."

Her warning is borne out by research from Schroders, a fund manager, which finds that the Shanghai and Shenzhen markets suffer the most extreme levels

> 'Active management is essential. A narrow selection of stocks is best'
> Geoffrey Yu, UBS

of earnings dilution among 20 emerging and developed markets surveyed.

Shanghai has seen an 11.4 per cent annualised rise in its market capitalisation to price index ratio, while Shenzhen stands at 7.1 per cent. The ratio measures the extent to which an increase in a market's total cap is not driven by the value of its existing shares but by new equity issuances.

Capital-hungry groups are not only at risk of dilution. Their conduct can also betray a deeper managerial malaise. One example is Leshi Internet Information and Technology, a former star of the A-share universe that fell to earth last April when it suddenly suspended its stock pending an announcement.

It took nine months for the suspension to end. During that time, the TV company that diversified into self-driving electric cars suffered a cash crunch and called off planned acquisitions overseas and other plans. The shares are down 68 per cent from a year ago.

One cautionary aspect of Leshi's decline was that almost no investors saw it coming. The lack of transparency that pervades the A-share market, abetted by lax disclosure rules, can allow companies to hide problems until they have grown so large they can no longer be concealed, analysts say.

This means that those who invest through a broad-based China market ETF — without first studying the financials of the companies that comprise that index — may be exposing themselves to future shocks. There are signs, though, that the ETF industry is becoming more aware of its limitations. The most popular A-share ETFs last year were those that embraced highly selective approaches and stripped out highly leveraged state-owned enterprises.

The Wisdom Tree China ex-State-Owned Enterprises Fund — which seeks to insulate investors from the vicissitudes of state-directed decision-making — recorded an 87 per cent jump in its assets under management last year. Its index ended 2017 78.7 per cent higher on the year, compared with a 55.2 per cent gain for the MSCI China Index.

Similarly, the KraneShares CSI China Internet ETF, which focuses on the top internet and ecommerce groups such as Tencent, Alibaba, and Baidu, experienced a 64 per cent increase in assets under management last year.

"That is where the future is," said Mr Yu of UBS, speaking of technology, internet and other new-economy sectors that tend to be dominated by privately owned companies.

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