

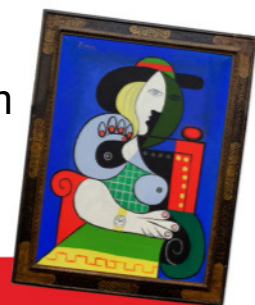
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MONEYWEEK

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Buried treasure

Take a punt on
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From the editor...



In 1947, Labour chancellor Hugh Dalton resigned after some important, market-sensitive details of his Budget speech that he had let slip to a journalist appeared in print shortly before he stood up in the Commons. Perhaps the writer for the *Star*, an evening paper, was irritated by Dalton's plans to put "a penny on beer" and "something on dogs and pools but not on horses".

In any case, a leak of this kind was deemed career-ending. These days it's practically obligatory. In the run-up to this week's Autumn Statement chancellor Jeremy Hunt was all over the airwaves dropping various hints, and several measures were announced before his speech. And almost everyone has an opinion on something related to the event, however tangential.

No Budget for mental health

For instance, I was intrigued to read that almost 70% of small-business owners suffer heightened anxiety in the run-up to the Autumn Statement, so it was a shame that Hunt was unlikely to address mental health in the workplace. Someone selling a brand of knickers looked forward to the removal of VAT from specialist underwear.

In the end, the measures amount to tinkering with little long-term impact and serve as a reminder of what a complicated and burdensome mess our taxation system



Tax reform would lay the foundations for stronger future growth

"Thanks to fiscal drag, three million more people will be paying the higher rate of tax in 2029"

has become. This time the reduction in national insurance by two percentage points was the most eye-catching measure. It will change little. The Office for Budget Responsibility notes that the tax changes in this week's statement will trim the tax burden by 0.7% of GDP, "but it still rises in every year to a post-war high of 37.7% of GDP by 2028-2029".

One key reason for that is something that unsurprisingly went unmentioned this week: fiscal drag. Income-tax and national-insurance thresholds are frozen until 2027-2028. The upshot, according to a recent estimate by the Institute for Fiscal Studies (IFS), is that the freeze, first implemented in 2021, will raise an additional £52bn in revenue as more and more people are dragged into higher tax brackets. AJ Bell noted this week that four million more people will be paying

income tax by 2029, and three million more will be paying the higher rate. Isa allowances are suffering from fiscal drag, too.

The latest tweaks to our tax code also bring to mind the sheer extent of it. Two years ago, the Institute of Economic Affairs and the Centre for Policy Studies noted that our tax code is around ten million words long, 48 times Hong Kong's, and full of "offsets, loopholes and distortions".

Plenty of ideas have been floated over the years to simplify it, including a single income tax replacing corporation tax, income tax, national insurance and capital gains tax; and replacing various property taxes, including stamp duty, business rates and council tax with a single land value tax. A streamlined tax system would boost overall productivity and GDP (which this week's speech suggested would rise by just 0.7% in 2024). This is becoming ever more important if we are to maintain living standards. Our debt pile is already the size of the economy, trimming public services is politically awkward given the ageing population, and there is no scope for yet more taxes. The longer we put off this discussion, the more painful the reckoning will be in future. Will we elect our own version of a chainsaw-wielding radical libertarian (see page 11) in ten years' time?

Andrew Van Sickle
editor@moneyweek.com

The Toffees come unstuck

Everton FC has been docked ten points for breaching a £105m limit on financial losses incurred within a three-year period. An independent commission found the Liverpool side had lost £124.5m in the three years to 2021-2022. Everton will appeal the decision. The points deduction may be only the start of Everton's woes, says *The Telegraph*. A previous ruling from May stated that if Everton were found guilty, rivals Leeds United, Leicester City, Southampton, Burnley and Nottingham Forest could sue for compensation. All except Nottingham had been relegated from the Premier League during Everton's breach. Relegation is estimated to cost a club £100m. Manchester City, which also denies wrongdoing, could face a similar fate if it is found guilty of similar offences. Everton is currently in the process of being sold to US investment company 777 Partners, with the price dependent on the side's Premier League status.



Good week for:

Former Brexit Party leader **Nigel Farage** has joined the contestants of ITV's reality television programme *I'm a Celebrity... Get Me Out of Here* in the Australian outback. Farage has so far been submerged in a mud pit and endured snakes poking at his head, among various other challenges – all for which he will be paid a reported £1.5m, says *Politico*.

Japan is sitting on 5,300 tonnes of accumulated gold, much of it hidden in electronic waste, according to the country's Sustainability Design Institute – equivalent to roughly 10% of global reserves. As much as 280 grammes of gold can be recovered from 10,000 mobile phones, making gold recycling (known as "urban mining") 56 times as efficient in terms of weight than traditional mining. New facilities are springing up across Japan, which has few natural resources, to take advantage of rising prices.

Bad week for:

Colombian pop star **Shakira** (pictured) has been fined €7.3m on six counts of tax fraud by a court in Barcelona on top of the €17.2m of missed tax she has already repaid, says the *Daily Mail*. Shakira also agreed to pay €432,000 to avoid a three-year jail term. The charges related to an assertion by Spanish officials that the singer should have paid taxes in Spain between 2012 and 2014, despite Shakira claiming tax residency in the Bahamas. She denies any wrongdoing.

Public sector workers in France will have their working space shrunk from 24 square metres per worker ("much higher than in the private sector") to 16 as part of a spending review, Thomas Cazenave, France's minister for public accounts, has told a French newspaper. That may involving selling some of the state's 192,000 buildings.



Inflation is still far from vanquished



Alex Rankine
Markets editor

"The global fight against inflation has turned a corner," say Tom Fairless and Paul Hannon in *The Wall Street Journal*. Annual inflation fell to 3.2% in the US in October, and 2.9% in the eurozone. Price pressures remain more persistent in Britain, but an annual rate of 4.6% last month also marked a big drop from September's 6.7%. Financial markets have reacted by moving forward expectations for interest-rate cuts, which are now priced to start in the US and euro area next spring, followed by the Bank of England in the summer (see below).

The fall in inflation has been driven in part by forces beyond the control of central bankers, says Jeffrey Frankel in Project Syndicate. The global price index for commodities fell by more than 30% in dollar terms between March 2022 and October 2023. Post-pandemic supply chain disruptions, which raised shipping costs and worsened shortages, peaked around the end of 2021 and have gradually unwound over the past 18 months.

But the US Federal Reserve still "deserves a fair share of" the credit after rapidly raising interest rates. So far, those hikes have slowed demand enough to cool inflation without upending the economy. Unemployment still remains under 4%, almost the lowest level since the 1960s. Against the odds, central bankers might just be pulling off the fabled "soft landing".

The job is not done

Bank of England governor Andrew Bailey warned this week that markets are getting ahead of themselves. "We are concerned about the potential persistence of inflation as we go through the remainder of the



America's unemployment rate is under 4%, the lowest level since the 1960s

journey down to 2%," he told MPs on the Treasury Select Committee this week. The Bank remains concerned that earnings growth, which was running at an annual rate of 7.9% in the July to September period, could put upward pressure on prices, says Ashley Webb of Capital Economics.

Wage growth needs to fall to about 3%-3.5% to be "consistent" with the 2% inflation target, but that will take a long time to happen, not least because the labour market remains tight "by historical standards". The Bank is thus likely to keep interest rates on hold at 5.25% until late 2024.

"The sky-high price growth of the past 18 months now feels like it is in the rear-view mirror," says the *Financial Times*. Yet there is little "feelgood factor" across

Western economies. While inflation is cooling, price levels are still "considerably higher" than they were – up by 21% since January 2021 in the UK. Wage growth may now outstrip inflation, but that follows a near two-year period where workers endured real-terms cuts to pay. Meanwhile interest-rate hikes are starting to bite, sending monthly mortgage payments soaring to painful levels.

Inflation could yet stage a comeback, not least if "energy prices spike courtesy of the Opec oil exporters cartel", says Liam Halligan in *The Telegraph*. Yet with the economy beginning to flatline, "the cost-of-living crisis could soon cease to be the dominant theme of British politics – to be replaced by an increasingly desperate search for growth".

Are markets celebrating too early again?

Signs of cooling inflation have fuelled the market's bets of easier money next year, sparking a revival in stockmarkets. America's S&P 500 index has leapt by 10% since a recent bottom on 27 October, with the FTSE 100 rising by 2.5% since then. The S&P 500 reacted to the US inflation news with "its best day in more than six months", says Jennifer Hughes in the *Financial Times*. It wouldn't be the first time that markets have celebrated interest-rate cuts too early. Deutsche Bank notes that "in this rate cycle alone, this is the seventh time that investors have anticipated the Fed turning dovish".

Investors have previously bet that monetary easing would follow Liz Truss's mini-



Budget debacle (wrong) and the US banking crisis this spring (wrong again). Suppose that in 2024 "the economy weakens, but inflation stalls at, let's say, 3% or above", says Marc Giannoni of Barclays. In that scenario, "I don't think [the Fed] is going to be able to

ease monetary policy". Cooler inflation is being caused by a slowing economy, says Thomas Mathews of Capital Economics. There is still a risk that America could slip into recession early next year, which would knock the corporate profits that underpin

stock valuations. "Even mild recessions have tended to dent investors' confidence at their outset... because it can be challenging to predict... just how bad things will get."

Worse, valuations are stretched, not least for the "magnificent seven", the seven US mega cap tech stocks that have jointly doubled since 1 January, says John Authers on Bloomberg. Markets are priced for an "immaculate" soft landing, where inflation falls without hurting growth too much. At current prices, "equity investors, particularly in the US, are getting... little compensation for the risk that the effort to bring down inflation could cause a recession".

Commodities crimp dividends

Global dividends dipped by 0.9% in the third quarter to \$421.9bn, according to the latest Janus Henderson Global Dividend Index. The figure was distorted by several large cuts in the mining industry, which has been hit by weaker commodity prices. Stripping out currency effects and special dividends, payouts grew by 0.3% on an underlying basis, with nine out of ten companies worldwide holding payouts steady or increasing them.

Commodities aside, dividend growth has been robust, says Ben Lofthouse of Janus Henderson. US dividends rose by a "healthy" 4.5% in the third quarter, with payouts from European firms soaring by 22.9% on an underlying basis, leaving "Europe comfortably on track to deliver record distributions this year".

British underlying dividend growth of 1.5% lagged behind, hampered by the FTSE's skew towards struggling miners, says Heather Rydings for City AM. Still, that was offset by a strong showing from banks. Data from AJ Bell shows that "the total FTSE 100 dividend payout is expected to reach £78.7bn in 2023... marginally higher than the £76.1b paid out in 2022".

Low share prices mean UK companies are increasingly opting for share buybacks as well as dividends, says Rosie Carr in the Investors' Chronicle. US firms have long favoured buybacks. Global share buybacks now almost equal dividend payments. In 2012 they were worth about half.

Crypto is "Monopoly money"

The fall of Sam Bankman-Fried "serves as a cautionary tale for all those who believe that they are immune to the laws of financial gravity", says Maximilian Marenbach on crypto.news. Bankman-Fried has been convicted of fraud by a New York court and faces decades in prison.

FTX, his cryptocurrency exchange, stole billions of dollars from customers' deposits and illegally passed the cash to Bankman-Fried's trading operation, where it was gambled away on high-risk cryptocurrency speculation. The "hubris" and "arrogance" that brought down FTX late last year are all too common across the tech industry.

Bitcoin's bounce

Bitcoin, the most popular cryptocurrency, has shrugged off the scandal to rally 12.5% so far this year, although it is still 40% short of its November 2021 peak. Crypto enthusiasts argue that Bankman-Fried was just a bad apple, says Molly White in The New York Times. Nonsense. The lack of controls and market manipulation that once made him a billionaire are rife in the crypto industry.

Take the widespread practice of issuing a digital "token" with no inherent value, "pumping up the price" and then "using that inflated valuation" to borrow real money. Many crypto operations rest on "an



imaginary foundation" of such worthless tokens. FTX won't be the last scandal.

The FTX trial exposed the "credulousness with which millions of crypto believers", who are generally suspicious of traditional banks and brokerages, instead entrusted their savings to cowboy outfits like FTX, says Bloomberg.

Traditional finance has its problems, but crypto – full of opaque, unregulated operations rife with "conflicts of interest" – is even worse. Most digital assets generate no income and are "fundamentally worthless" beyond their speculative value. Unless, that is, "you're looking to launder money".

The most promising use case for crypto might be in the huge video gaming industry, says Jon Sindreu in The Wall Street Journal. Gamers are already

"immersed in a digital world" and are certainly willing to pay for "a Darth Vader suit or flashy virtual gun". But digital bank transactions already fill that demand better than blockchain technology. Attempts to create game-based currencies have quickly succumbed to speculation, with people playing not for fun but to win tokens that can be cashed out.

Cryptocurrencies are "Monopoly money", says Jemima Kelly in the Financial Times. The industry doesn't create value; indeed, it arguably destroys it. Yet this "nihilistic" universe – where one user's gain is another's loss – only mirrors the worst aspects of the wider finance industry, where much so-called "financial innovation" is also "a game of... finding gaps in existing rules and exploiting them" until regulators catch up.

Viewpoint

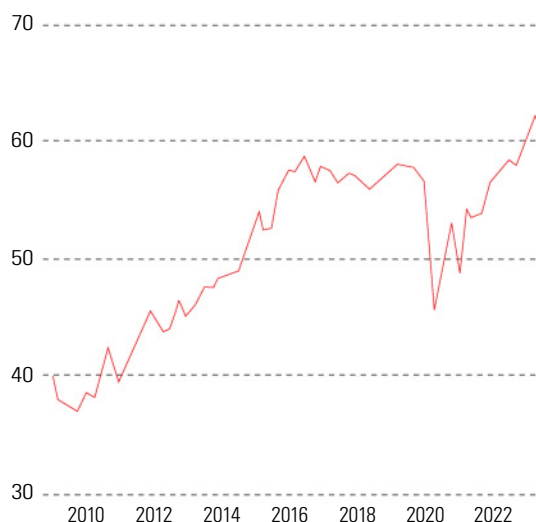
"At a time when unemployment is very low [Washington is running] an 8% -of-GDP budget deficit. That has... sent... public debt... to stratospheric levels.... The Congressional Budget Office [says the] public-debt-to-GDP ratio could rise to a Greek-like 110% before the end of the decade... both sides of the political aisle... bear responsibility... Democrats in office like to spend like drunken sailors, but they are... reluctant to raise taxes... during the Trump administration... Republicans... liked to cut taxes aggressively, but they were not prepared to cut public spending... enough to pay for those... History is littered with... countries that have experienced major exchange-rate crises and bursts of inflation because of irresponsible budget policies... [Unless] Washington... mends its budget ways... future generations [of Americans] should expect to have lower living standards."

Desmond Lachman, National Review

■ Can the Treasury boost business investment?

Quarterly UK business investment

Billions of pounds, 2019 prices



When he was chancellor, Rishi Sunak noted that "capital investment by UK businesses averages just 10% of GDP", notably lower than the developed-country average of 14%. The gap explains much of Britain's weak productivity performance but has proven resistant to attempts to solve it, says David Smith in The Sunday Times. Investment did pick up under George Osborne, only to plateau after the 2016 Brexit referendum shook confidence. The Treasury's latest ruse to fix the problem is "full expensing", which allows businesses to immediately deduct 100% of certain capital investments for tax purposes. But history shows that if businesses don't want to invest they won't, no matter how many carrots the Treasury dangles.

Source: ONS/The Sunday Times

OpenAI reopens its door

Last week the firm behind ChatGPT booted out its boss, who was snapped up by Microsoft – and then brought him back. Matthew Partridge reports

Last Friday's decision by the board of OpenAI to fire CEO Sam Altman "triggered a Silicon Valley corporate drama", says Dan Milmo in The Guardian. He is the CEO of the company behind the ChatGPT artificial intelligence chatbot and "the figurehead of a revolution in AI that has enthralled the public and investors but also alarmed industry insiders and experts". With OpenAI's staff in "uproar" and threatening to quit, investors, led by Microsoft, attempted to reinstate Altman, only for Microsoft to decide on Monday to hire him to lead a new AI division.

There then followed a "dramatic reversal", says the Financial Times. On Wednesday it was announced that Altman would return as CEO to the firm that he co-founded. He will be under the supervision of a new board of directors, including former US Treasury Secretary Larry Summers and former Salesforce CEO Bret Taylor. This draws a line under a stand-off that has seen almost all of the company's workers line up against the original four-person board.

Unusual corporate governance

Rumours and speculation relating to the sacking abound, says James Titcomb in The Telegraph. However, the key reason is that while the main part of the start-up, originally a non-profit, was moved to a profit-making subsidiary that could give employees shares and raise money, the original board still has ultimate control. This created an inevitable conflict between the board, which has "become increasingly focused on risks arising from a commercial influence over AI", and Altman, who concentrated on "growing the technology at pace".

This structure also helps explain why "a group of just four people could make decisions that have rocked a multi-billion dollar technology business", says the BBC. OpenAI is widely deemed the most important AI firm in the world. The ructions could prove damaging to its reputation. "OpenAI can't be the same company



© Getty Images

Sam Altman was set to lead an AI unit at Microsoft before his return

it was up until Friday night, Nick Patience of S&P Global Market Intelligence told the BBC. "That has implications not only for potential investors but also for recruitment".

The drama erupted at a key moment for the company. Just a week ago ChatGPT hit the milestone of 100 million weekly users, and the company had been working on plans to sell shares at an \$86bn valuation, as Lex pointed out in the FT. But with or without Altman, the company's valuation looks a stretch, says Anita Ramaswamy on Breakingviews. It's not just the governance structure, but the fact that its AI still needs work.

Recent research suggests that the quality of the GPT-4 model has deteriorated. Its accuracy rate in identifying prime numbers slumped from 84% in March to 51% in June. And government regulation could eventually "dramatically change the usage" of AI. Nor are rivals standing still, says Simon Hunt in The Spectator. Amazon and Google have both invested in a rival AI firm, Anthropic, while Google and X (formerly Twitter) have come up with chatbots known respectively as Bard and Grok.

Will Burberry come back into fashion?

Last week shares in Burberry fell by 11.2%, their worst daily fall since the outbreak of Covid, says Isabella Fish in The Times. The slide comes after the fashion house revealed that profit before tax declined by an annual 13% to £219m in the half-year to 30 September.

Burberry warns that earnings for the entire year could come in at the lower end of analysts' estimated range of between £552m and £668m. CEO Jonathan Akeroyd also criticised the government for not reinstating the 20% VAT shopping refund for tourists that was scrapped in 2021 after Brexit. He claims that this has led to tourists "shunning London stores in favour of those on the Continent".

Burberry has clearly had an arduous third quarter, with a "measly" 1% year-on-year rise in sales, says Lex in the Financial Times. But blaming this on a change in tax law that is nearly three years old doesn't make much sense given the global nature of the "slowdown in luxury spending".

Burberry is also "more vulnerable" than other companies as it "has too much exposure to fickle fashion, rather than, say, classic handbags" and "has not yet joined the ranks of the luxury must-haves". So it's not surprising that its pace of quarterly sales growth trails the luxury pack, with the stock trading at a valuation discount to the sector of roughly 30%.

The company may be in a "hostile trading environment", says Sophie Lund-Yates of Hargreaves Lansdown, "but that doesn't mean hope is lost". Despite its complaints about the UK VAT rules, "the wider European region is seeing an increase in tourist spending, which is the shift Burberry wanted to see".

New products and ranges have been "well received". Meanwhile, the management is working hard to "elevate the brand, investing in products and improving distribution", which should "pay dividends in the form of higher prices and stickier customers". With the balance sheet in "reasonable health", Burberry is well placed to grow sales, margins and profits in the longer run.

Royal Mail falls deeper into the red

Despite being free from a "debilitating breakdown in industrial relations and months of strikes under previous management", Royal Mail continues to plunge "deeper into the red", says Robert Lea in The Times. It lost £319m in the six months to the end of September, compared with £219m in the same period last year.

The shortfall has helped cause a £243m loss at Royal Mail's listed parent company International Distributions Services (IDS), which also suffered from falling profits at its European and American courier business GLS.

The results have left Royal Mail, which is facing a long-

term trend of declining letter volumes, and was recently fined by Ofcom for poor service, demanding that the government scrap its commitment to a universal six-day service.

The firm's argument that the requirement for Saturday deliveries should be dropped "is a perfectly fair one", says Ben Marlow in The Telegraph. After all, as Royal Mail itself points out, it is being forced to "maintain a network built for 20 billion letters when we're now only delivering seven billion".

Even Ofcom's research suggests that a five-days-a-week letter service would "still meet the needs of 97% of residential and SME [small

business] users". It would also deliver a major boost to the company, as the estimated saving of between £125m and £250m could be devoted to the fast-growing parcels division, helping it "go toe-to-toe with Amazon, Yodel and others" who don't have to deal with letters.

Still, while the argument that a six-day delivery service "is no longer realistic" may be "logical", customers, politicians or regulators are unlikely to be sympathetic, says AJ Bell's Russ Mould. Meanwhile, parent IDS "needs to do something", as "years of trying to drive efficiency improvements have come to very little".

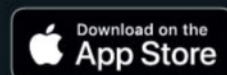
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MoneyWeek's comprehensive guide to this week's share tips

Five to buy

Bioventix

The Sunday Times
This Surrey-based biotechnology company makes monoclonal antibodies from sheep; they are used in hospital blood tests. The firm receives royalties every time a test is performed, which provides a solid pipeline of revenue for several years after the initial production. That funds "generous dividends" and underpins a "sturdy" balance sheet. Small biotechs are risky, but Bioventix has a good history of staying ahead of trends, and the pipeline includes "promising work on screening programmes for... Alzheimer's disease". Given the shift towards more medical screening, the shares are a buy. 3,700p

Cranswick

Shares
This food business supplies retailers and the food-to-go industry with pork products such as premium gammon and gourmet sausages. The business is also building scale in its poultry



division – an ever more popular meat given squeezed household budgets. Revenue grew by 14.7% in the three months to 24 June and there is untapped potential in the pet-food division. The business boasts 33 years of unbroken dividend growth. Berenberg analysts see "meaty" 30% upside potential for the shares. 3,598p

Naked Wines

Interactive Investor
Shares in this online wine retailer have plunged by 72% this year, with management warning in September of doubts about whether it can continue as a going concern. The end of a pandemic-era boom in customers quaffing wine at home has hit business hard, while the cash-strapped middle class is now cutting back on luxuries like good wine. Yet the firm's subscription-based wine club retains a "cult" following among wine connoisseurs and the boozy festive season is still to come. The shares might also attract a bid at the current low level. Buy "if you can stomach the risks". 29p

...and the rest

The Mail on Sunday

Egg-free cake specialist **Cake Box** plunged following a profits warning last year, but the sell-off appears overdone. A newly appointed management team can turn things around, with



latest half-year results showing double-digit profit growth. The firm has a solid customer base (people who don't eat eggs for religious or dietary reasons) and if the shares remain this cheap they might even attract a takeover bid. Buy (148p).

Investors' Chronicle

National Grid faces "unprecedented capital demands" as the country rushes to build out a power grid capable of handling a net zero world. The build-out makes the shares a riskier proposition

One to sell

Wizz Air

Investors' Chronicle

This central and eastern Europe-focused airline is enjoying strong growth in passenger numbers and fare revenue, while the shares trade on less than seven times consensus forecast earnings. But "bargain hunters" should steer clear of this stock. Net debt, at €3.89bn, is "substantial" and ambitious global expansion plans are a big risk that promises to generate plenty of turbulence for investors. "There are more enticing opportunities" among other listed budget carriers, so sell. 1,738p



OSB Group

The Telegraph

Shares in this bank, a specialist in buy-to-let mortgages, have tumbled after a profit warning in July. Investors are wary of UK banks because of an economic slowdown and fears that interest rates may have peaked. Yet loan-growth targets for the whole year had been achieved by October, testament to OSB's ability to win market share off less specialised lenders. On "just 0.6 times forecast book value... the cheapest they have ever been", the risk is in the price and there is upside potential should the turnaround continue. 347p

Octopus Renewables Infrastructure Trust

The Mail on Sunday

Investors have tired of renewable-energy firms. This is a chance to buy Orit, which provides wind and solar energy for 500,000 homes in Europe. It yields 7%. Unlike some peers, Orit doesn't just invest in renewables projects but also helps with construction, which increases potential returns. Dividends have kept pace with inflation and more than half the portfolio is covered by long-term, inflation-linked contracts. Investments in battery storage offer scope for growth. 91p

investors should start taking more interest in "long-duration" assets such as infrastructure. Keep buying (330p).

The Telegraph

Consumer healthcare giant **Haleon** has outperformed the FTSE 100 over the past year as it manages to maintain margins in the face of cost pressures. There should be more growth to come from exposure to faster-growing emerging markets, but on 17.6 times earnings the opportunity looks largely in the price. Hold (323p).

A French view

Inditex, the Spanish retail giant behind fast-fashion brand **Zara**, remains a compelling buy, says Céline Panteix in *Investor*. The Madrid-listed group, which also owns the Massimo Dutti brand, is a "veritable steamroller", with sales up by 13.5% and net profit soaring by 40% in the six months through the end of July. At 18.8%, operating margins are the highest in more than a decade. Inditex has more production in Europe and North Africa than competitors, enabling it to dodge the worst of Asian supply-chain pressures and react more quickly to new fashion trends. Those same supply-chain pressures have left competitors in the US in disarray, giving Inditex scope to grab more share in its second biggest market after Europe.

IPO watch

Almost 100 new companies are waiting to list on Turkey's stock exchange, the *Borsa Istanbul*, says *Bloomberg*. At least 50 companies are expected to float by the end of this year. Initial public offerings (IPOs) are likely to continue at that pace for the next few years. The boom has seen 49 companies raise 66 billion lira (£1.8bn) in 2023, an all-time high in records stretching back to 2010. The surge in IPOs is due largely to the ongoing stockmarket boom, in turn a consequence of the annual inflation rate of 60%. People are putting their money in equities to avoid it being rapidly eroded by rising prices. The benchmark index has risen by 45% this year.



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A pause to the war on Hamas

By Emily Hohler

On Wednesday, Israel and Hamas reached a four-day ceasefire deal, brokered by Qatar with US support, which allows for the release of 50 Israeli hostages, all women and children, say Dan Sabbagh and Julian Borger in *The Guardian*. In return, Israel will release 150 Palestinian prisoners, also women and children, and allow hundreds of aid trucks into Gaza daily.

The deal pauses a war that has lasted more than six weeks, resulting in the deaths of 14,128 Palestinians, according to Hamas, and more than 1,400 people in Israel. Although the Israeli government has said that the ceasefire would be extended by a day for the release of each additional ten hostages (Hamas is reportedly holding a total of 236), it has also vowed to resume fighting “to eliminate Hamas”.

How will it affect war outcomes?

Expect Hamas to “drag out the ceasefire in hopes of making it permanent”, says *The Wall Street Journal*. It will make the picture more complicated for Israel, with disagreements at home over how long to wait for further hostage releases, while abroad it will be under pressure not to resume fighting, and receive “harsher criticism” when it does.

A permanent ceasefire – in effect, what Hamas broke on 7 October – would “spare and embolden” Hamas and its allies, says Bret Stephens in *The New York Times*. That’s a “virtual guarantee” for future attacks on Israel, Israeli retaliation, and “deeper misery” for civilians.



There will be more misery to come for civilians

Eliminating Hamas, on the other hand, as Israel intends, would involve the total devastation of Gaza – some 45% of Gaza’s housing units are already uninhabitable, notes Ishaan Tharoor in *The Washington Post* – and “carries the risk of radicalising an entire generation of youth against the Jewish state”, says Ethan Bronner on Bloomberg. It would also cost billions. Some Arab leaders, who have “paid to rebuild Gaza three times already”, say they aren’t prepared for a repeat without “rock-solid guarantees”.

Unfortunately, there’s little agreement on the future. US president Joe Biden’s stated wish is for the more moderate Palestinian Authority (PA), led by 88-year-old Mahmoud Abbas, to be brought back from the West Bank “more than 16 years after it was ejected, and restart the building of a Palestinian state” alongside Israel.

But the PA has “grown sclerotic” under Abbas and Israel won’t allow it. Instead, Israeli prime minister Benjamin Netanyahu wants to keep the West Bank and Gaza separate and “foster a young technocratic leadership inside Gaza with Arab money, US guidance and Israeli security that will build something like Dubai” – an approach “most outsiders consider pie in the sky”.

The US position reflects the widespread Western belief that, while Hamas are “bad” Palestinians, the PA are “good” Palestinians who are entitled to a state of their own, says Melanie Phillips in *The Times*. The situation is more nuanced. Officials in both the PA and its dominant Fatah party have urged “more slaughter of Jews, calling for the end of Israel” and describing the Hamas attacks of 7 October as a “source of pride, heroism and honour”. Polling in the West Bank and Gaza during the fourth week of the war found that 75% support the Hamas atrocities. The “dismal reality” is that no Palestinian leader, nor most Palestinians, are “prepared to live in peace with Israel”.

That’s not true, says Kim Hjelmgard in *USA Today*. Support for Hamas has risen in the short term as it has during past periods of violence, but surveys conducted by Arab Barometer prior to 7 October find that 73% of Gazans want a peace deal with Israel. Additionally, most Gazans were critical of Hamas and the way it runs things but feel they have no way of peacefully protesting against its rule. Roughly half of Gaza’s 2.2 million civilians are under 18 and have never had an opportunity to “express a political will”.



Immigration minister Robert Jenrick: seeking to get a grip

Why the UK’s borders remain open

The Home Office is looking at measures to reduce legal immigration and the “abuse” of work visas as it “seeks to reassure the public it has a grip on migration”, say Anna Gross and Delphine Strauss in *The Financial Times*.

Proposed changes include raising the salary threshold of £26,200 for skilled workers and the minimum level of £20,960 for care workers. Health and care visas have driven immigration figures to record highs of 606,000 in 2022 and an expected 700,000 this year, says *The Times*. Of the 282,742 health and care visas issued in the year to June, more than half were issued to dependants.

If immigration continues at the current pace, Migration Watch UK says the population will rise from 68 million to 83.87 million by 2046, says Allison Pearson in *The Telegraph*. That’s equivalent to 15 new cities the size of Birmingham. Over the past decade, the UK population has grown by 3.7 million.

Politicians love “soaring” immigration as it “boosts GDP and gives the impression of ‘growth’ in the absence of anything more substantial like making and selling stuff”. However, we lack the infrastructure, the health services and jobs for all these people, and the quality of life in Britain is “deteriorating”.

Writing anonymously in the same paper, a civil servant working on immigration policy says “no priority is further from the Home Office in 2023 than stopping the boats or cutting net migration”. Instead, there is an acceptance of the “bien pensant view that immigration cannot and should not be controlled, overruling the instructions of ministers and thereby their democratic mandates”. Even “moderate” measures are seen as “unreasonable or not legally possible”; everyone “knows that the clock is running down on the current government and nothing much really needs to be done”. Our borders will “remain uncontrolled”.

RFK shakes up US presidential race

For decades, as a scion of the Kennedy family and an environmental litigator, Robert F. Kennedy Jr was considered an “establishment hero”, says Freddy Sayers on UnHerd.

In recent years, his rhetoric against Covid lockdowns and vaccines painted him as a pedlar of misinformation and conspiracy theories. But since announcing he was running for US president, he can no longer be so easily dismissed. He could even determine the result.

Third parties or independent candidates don't usually get anywhere in the US, says Henry Enten on CNN. But polls currently have RFK Jr doing better than any independent or third-party candidate in a generation, and he has a real chance of affecting the outcome of the 2024 election. One poll had his support at 22% of registered voters – the last independent candidate to earn more than 20% in a poll within a year of the election was Ross Perot in 1992, who ended up getting 19% of the popular vote.

His numbers in the swing states “should be turning heads”, says Enten. He is polling in with high teens to upward of 25% in the six closest states Joe Biden won in 2020 over Trump.

These results “sent some Democrats into a tizzy and some Republicans into euphoria” – if the final results matched those polls, Trump would win the election.

That a Trump victory next November is a “coin-toss probability is beginning to sink in”, says The Economist. That is worrying. Trump 2 would be more organised than Trump 1, and he would be “unbound in his pursuit of retribution for political opponents, economic protectionism and theatrically extravagant deals”. A win would be a watershed in a way his first was not – it would “upend the world”.

Argentina elects a radical

Javier Milei takes power as president, but his in-tray looks daunting

“Investors have cheered the victory of radical libertarian Javier Milei” in Argentina’s presidential election, says the Financial Times. Argentine stocks and bonds rose in trading outside the country after the celebrity economist, who wants to dollarise the economy, shutter the central bank, privatise whatever he can, and take a chainsaw to public spending, outperformed expectations in Sunday’s election, winning 56% of the vote. He takes

power in a country facing 143% annual inflation, crushing levels of domestic and foreign debt, and an empty treasury. He will have to try to rule with no majority in either congress or the senate, and no experience of high office. “Everything points to this being the roughest [presidential] transition in at least a decade,” says Fabio Rodríguez, of M&R Asociados, a consultancy in Buenos Aires.

Fiery rhetoric is understandable

The Anglo-American press has bemoaned Milei’s assent and characterised his win as a victory for “extremism” and the “far-right”. That’s because his rhetoric “offends progressive sensibilities”, says Ryan Bourne in The Times. But his victory must be understood as a popular rejection of the ruling political caste, and its big-government populism, protectionism and fiscal and monetary irresponsibility, which is to blame for the country’s many ills. Argentina is ranked 158th out of 165 nations in the Fraser Institute’s economic freedom rankings, ahead only of basket cases such as Venezuela, Zimbabwe, Syria, Sudan, Yemen, Iran and Libya. In 1913, Argentina was richer than France or Germany and had about 75% of the US’s



Milei: can he become a statesman?

GDP per capita. Now, 40% of Argentina’s 46 million population live in poverty and only one in five are in secure private-sector jobs.

Facing the demons

To face Argentina’s demons, Milei’s government will have to take a trio of emergency economic measures, says The Economist. First, “rapid belt-tightening” to bring the fiscal deficit down – unaffordable pensions and fuel subsidies are the obvious

first targets. Second, liberalisation of the exchange-rate system, even if this leads to devaluation and higher inflation. Third, a restructuring to lower debts to sustainable levels, probably including a haircut for the IMF. All this is, however, a big ask given that Milei campaigned with such divisive rhetoric and cannot succeed without building political alliances. “Milei needs to become more statesman-like after a lifetime of eccentricity.”

True, but Milei does have a popular mandate, says Ian Vásquez of the Cato Institute, and he will be able to make important changes. As president, he can repeal some of the previous government’s regulations, free up prices by decree and get rid of capital controls. He can cut some subsidies and the number of ministries by decree. The main economic proposal of his campaign, to replace the peso with the dollar, will have to go through Congress, but as the economic crisis worsens, that reform will become more politically feasible. This is the big one as it would “eliminate irresponsible monetary policy, put some limits on reckless fiscal policy, and form the basis for other necessary reforms”. If Milei manages only this one reform, “it would be a great achievement”.

Why Nigel Farage is in the jungle

It’s day two in the jungle and Nigel Farage is tucking into crocodile bum, camel test and chicken feet. The Brexit campaigner, former MEP and GB News presenter was always going to be the main event on the reality TV programme *I’m A Celebrity... Get Me Out Of Here*, says Ed Power in The Telegraph, and he has not disappointed. He appeared “quietly disgusted by the fare”, but was presumably thinking of his £1.5m fee “and all the mouthwash it will buy when he leaves the jungle”.

He almost certainly has bigger things on his mind, too, says Gavin Mortimer in The Spectator. Farage’s stated reason for going on the show is the hope that “those who hate

me might hate me a little bit less afterwards”. But why would that matter to Farage were he not laying the ground for a political comeback? “He’s chasing votes, all right, but not the ones that decide who gets to do the next Bushtucker trial.”

He may be taking inspiration from France’s Marine Le Pen, who also worked hard to “de-demonise” her party and image, and now leads the country’s second most powerful party in the National Assembly. As in France, the left in Britain has abandoned the white working-



class vote. “Nigel Farage has his eye on this disillusioned mass” – and his stay in the jungle is a first step on a campaign trail for his political revival. Indeed, at the Conservative party conference this year, Farage said that he’d be “very surprised if he were not Conservative leader by 2026. Very surprised.” He insisted at first that he wasn’t joking, says Henry Hill on Conservative Home, but even if he was, “that’s the sort of jest that’s never entirely a jest”.

London Hunt curries favour:

Chancellor Jeremy Hunt has delivered an Autumn Statement “designed to curry favour [with voters] ahead of an election late in 2024”, says Paul Dales of Capital Economics. The net giveaway of £14.3bn in 2024-2025 (worth 0.5% of GDP) was a little more generous than had been expected and the “smaller fiscal squeeze may mean [consumer price] inflation is a bit higher than otherwise”. So, don’t expect the Bank of England to cut interest rates before late next year as opposed to next summer as is widely assumed. The Office for Budget Responsibility (OBR) had handed the chancellor a little more room for manoeuvre ahead of Wednesday in deciding the economy would be around 5.5% bigger at the end of the five-year forecast period in nominal terms than it had previously thought, despite revising down its real-term (ie, after inflation) forecasts for 2024 and 2025. National debt, expressed as a percentage of GDP, is expected to fall to 94% in five years’ time, from 97.8% at the end of October. “Overall,



the Chancellor squeezed as much political juice as possible out of the Autumn Statement, supported near-term GDP growth a bit, but perhaps at the expense of interest rates staying high for longer, and laid a few fiscal traps should Labour win the next election,” says Dales.

Pre-election giveaways

A cut in the rate of national insurance (NI) by two percentage points to 10% from 6 January was one of the main headline-grabbing giveaways. Employees earning an average £35,000 annual salary can expect to save £450 a year. Self-employed workers also received a cut to their NI contributions, worth £350 a year on average from April, Hunt said. The other was making permanent a scheme whereby businesses can claim back 25p in corporation tax for every pound invested in IT, machinery and equipment.

Retirees also had cause to cheer. From April, the state pension will rise by 8.5% to £221.20 a week, in line with earnings, while employees will

gain the right to insist their employers pay their pension contributions into an existing pension pot. Benefits are also set to rise – by 6.7% in line with September’s inflation figure, representing an average increase of £470 for 5.5 million households, while the local housing rate to help renters will also increase. Other giveaways included a freeze on alcohol duty; a 10% increase to the national living wage, from £10.42 to £11.44 an hour for those age 21 and over; reform of planning regulations;

and discounts of up to £10,000 over ten years on electricity bills for households living near newly constructed power cables. But don’t be fooled, says Ed Conway for Sky News. “The total tax burden... is rising.”

At least investors will now be able to save fractional shares (useful in the US where share prices can be prohibitively high) in their Isas, says Susannah Streeter of Hargreaves Lansdown. That will “encourage new investors”.

Santa Clara

Nvidia powers on: “Red-hot demand for chips that underpin the artificial intelligence (AI) boom” have delivered yet another quarter of record sales for chipmaker Nvidia, says Asa Fitch in The Wall Street Journal. Sales tripled to \$18.1bn in the third quarter from a year earlier, while profits “surged” to \$9.2bn, compared with \$680m in the same three months of 2022. This quarter is already shaping up to deliver sales of \$20bn and there are scant signs of a slowdown. Nvidia’s chips are “the most adept at creating complex AI systems”. So eager have companies been to get their hands on them that a supply shortfall has taken hold, “even for AI systems that can cost hundreds of thousands of dollars each”. That’s why the US government’s tightening of

the rules for the export of chips to China matters less to Nvidia than it does to a company such as Apple, with Beijing banning officials from using iPhones, says Robert Cyran on Breakingviews. Demand from elsewhere can pick up the slack. Nvidia is adapting to the tougher rules, anyway, by selling less-powerful chips to China, designed to slip under export bans. Still, shareholders are getting “antsy”. Nvidia trades on 31 times estimated earnings for the next 12 months, an almost 25% discount to the five-year average. Given Nvidia has grown revenue by 15% annually for 20 years, they should give it “some credit”.



The way we live now... Japan brings Rover to the ritual



Prayers for pooches at Shinto shrines

Japan’s record-low birth rate is prompting citizens to take their prized pets to rituals at places of worship in the roles traditionally played by children, says Irene Wang for Reuters. The annual rite of Shichi-Go-San is celebrated each November, and involves parents dressing their children in traditional kimonos and wishing for their future happiness and health through divine intervention after praying at a Shinto shrine. The ritual is supposed to be performed during a child’s third, fifth and seventh years of age. However, as domestic birth rates decline for a seventh straight year, people are “pouring their love” into their cats and dogs, according to Yoshinori Hiraga, a priest. Since many Shinto shrines don’t allow animals, many pet-owners are travelling hundreds of miles to have their “fur babies” blessed, dressing them in little costumes to match the occasion. Zama shrine, south-west of Tokyo, is one such pet-friendly holy site, having been specifically established as a place of prayer for pets in 2012. Hiraga anticipates that up to 120 pets will be brought to his shrine alone this season, reflecting Japan’s evolving ideas of companionship as its population continues to decline.

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Leverkusen

Drugs trial disappoints: Pharmaceutical giant Bayer has seen its share price shrink to its lowest value in over a decade after abandoning a key late-stage trial of a blood-thinning drug and mounting legal trouble, say Donato Paolo Mancini and Olaf Storbeck in the Financial Times. Bayer's share price sank by 20% on Monday, reaching "lows not seen since 2008" and wiping €7.5bn off its market value in hours. The firm's Oceanic trial studying its highly anticipated blockbuster drug asundexian has shown "inferior efficacy" compared with standard treatments. The drug had been predicted to generate up to €5bn in sales a year if successful – "a quarter of the group's entire 2022 pharma revenue". While trials will continue for use with stroke patients, asundexian's value remains severely downgraded. Meanwhile, alongside the expiry of patents for some of its best-selling drugs, including its anti-clotting medication Xarelto, the firm is saddled with significant debts following its €63bn merger with agrochemical giant Monsanto in 2018, and the costly legal troubles inherited through the acquisition. Three claimants have been awarded \$1.5bn against Bayer in the latest lawsuit targeting Monsanto's weedkiller Roundup, says Chris Hughes in Bloomberg. There are thousands of other claims, and "the effect will be long-running litigation for the years ahead".

Hangzhou

Cloud spin-off dropped:

Chinese tech giant Alibaba has cancelled plans to spin-off its cloud computing unit due to the US government's expansion of export controls on advanced chips and semiconductor equipment, says Jacky Wong in The Wall Street Journal. Despite announcing its first annual dividend of 1.1%, valued at \$2.5bn, the restrictions have put limits on Alibaba's ability to upgrade the unit's technology. With revenue for the division struggling at 2% year on year last quarter, investors are upset. Alibaba's New York-listed shares fell 8% in pre-market trading last week, having already been rocked by the unexpected departure of the group's chairman Daniel Zhang (pictured) in September. Meanwhile, Alibaba's core business "remains sluggish". Growth has been stymied following China's "zero Covid" controls in late 2022, with revenues last quarter only rising by 9% from the prior year. While Alibaba's US-listed shares have rebounded from multi-year lows plumbed in October 2022, they have still lost about three-quarters of their value since peaking in late 2020, says Anshuman Daga on Breakingviews. Government crackdowns and fraying US-China relations have "cast a pall" over China's tech sector. "It is hard to see a silver lining in the dark clouds gathering."



Detroit

Cruise control: Cruise, the autonomous-taxi venture 80%-owned by General Motors, is in a tight spot, says Stephen Wilmot in The Wall Street Journal. If it drives development too quickly, it scares off regulators and the public. If it "hits the brakes", it scares off investors. Both of its co-founders, CEO Kyle Vogt and Daniel Kan, have resigned after "a tumultuous few weeks" since California suspended Cruise's autonomous-driving permit. That decision followed a "nasty accident" in early October that had been initially caused by a human-driven car, but exacerbated by the self-driven one. Cruise was accused of attempting a cover-up. "Whatever the truth, a problem that might have been solved with a software patch now needs a new CEO." Ideally, Cruise needs to "slow down and rebuild trust". But that doesn't sit well with GM's plans. In 2021, the car giant said it aimed to increase revenue to a "whopping" \$80bn by 2030, with Cruise "the linchpin of that outside ambition". Softbank had also promised more money, but then pulled out, forcing GM to cough up instead. If GM were to "pull the plug", investors might celebrate the boost to earnings. But then GM would "lose a key part of its growth strategy". Better third-quarter results than its peer Ford at least gives GM some breathing space for now.

moneyweek.com

Washington, DC

CZ steps down: Changpeng Zhao (pictured), known as CZ, is stepping down as CEO of Binance, the world's largest crypto exchange, as part of a settlement with the US Department of Justice (DoJ) worth upwards of \$4bn, according to sources close to discussions, says David Jeans in Forbes. The DoJ had been investigating Binance since around 2018. Last March, regulators charged the exchange with offering unregistered crypto derivatives to US customers and, in June, Binance and CZ were charged with "operating an unregistered exchange and misleading investors" by using a Swiss-based fund, Sigma Chain, also owned by CZ, to "inflate the trading volume" on Binance's US platform. News of a possible agreement, which would allow Binance to continue operating rather than risk a collapse that could hit markets, prompted an 8.5% jump in the Binance cryptocurrency BNB, says Chris Strohman on Bloomberg. A settlement represents another "historic resolution" following the collapse of exchange FTX and the conviction of its founder Sam Bankman-Fried.



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MONEYWEEK

Is AI coming for white-collar jobs?

There is already evidence that artificial intelligence may be replacing certain kinds of skilled labour. Should we be worried? Simon Wilson reports

What's happening?

There were ructions this week at OpenAI, the San Francisco-based company behind ChatGPT, as the board, senior management, staff and investors all warred publicly over the company's future (see page 6). Meanwhile, well away from the day-to-day drama over who should be doing what jobs at OpenAI, evidence is beginning to emerge about the current and future impact of generative artificial intelligence (AI) on the jobs market as a whole. There have been high-profile, real-world examples of AI's effects: US-owned French media firm Onclusive recently announced the replacement of 200 jobs (nearly half its workforce) by AI. Dukaan, an Indian firm that creates e-commerce websites, said it was laying off 90% of its customer-service teams, replacing them with a chatbot. And there's been a crop of studies on the subject.

What do they say?

Ever since the launch of ChatGPT a year ago, there have been breathless predictions that AI is coming for white-collar jobs. OpenAI itself projected that higher-paid workers would be most at risk, estimating that someone paid a six-figure salary is about three times as exposed as someone making \$30,000. A study by McKinsey came to a broadly similar conclusion, warning of generative AI's ability to "automate the application of expertise". And now, an academic study has found that in one white-collar sector at least – freelance copywriting, editing and graphic design – AI has already lowered wages and cut the number of available jobs.

What are the details?

A paper published in August by three US-based academics ("The Short-Term Effects of Generative Artificial Intelligence on Employment: Evidence from an Online Labour Market" by Xiang Hui, Oren Reshef and Luofeng Zhou) looked at the popular US freelancing platform Upwork, which offers short-term contracts to writers, editors and designers. In the weeks and months following the launch of ChatGPT, they found that freelancers suffered a significant reduction (2%) in the number of jobs offered, and a steeper (5.2%) cut in overall earnings. This suggests "not only that generative AI was taking their work, but also that it devalues the work they still carry out", says John Burn-Murdoch in the Financial Times. Most strikingly, the study also found that the most successful freelancers fared no better than others, and if anything had worse outcomes. "Being more skilled was no shield against loss of work or earnings."

"Being more skilled was no shield against loss of work or earnings"

What can we conclude from that?

The flexible "spot market" nature of an online freelancer platform does make the Upwork setting useful for exploring the short-term effects of ChatGPT. The methodology and causality are clear. But, of course, those short-term effects cannot necessarily be used to predict the long-term future. As the authors point out, the long-term effects of generative AI may be significantly different, and it is unclear how their findings extend to longer time horizons. "On the one hand," they argue in their conclusion, the "negative effects on labour outcomes may be exacerbated as the technology becomes more prevalent and penetrates additional industries and occupations. In contrast, as the development of AI capabilities continues it may become more integrated with various tools and begin to better complement the performance of human workers."

Is there evidence for that?

Yes. A second recent study, carried out by researchers at Harvard Business School, looked at the impact of giving GPT-4, the most advanced model yet from OpenAI, to staff at Boston Consulting Group. The results were striking. Consultants using AI were 25% quicker, completed 12 more tasks overall, and the quality of it was judged to be 40% higher than those without AI. Employees at all levels benefited from AI, but it was especially useful among less skilled workers – a finding that chimes with the results of a third study, published in March by Shakked Noy and Whitney Zhang, both of MIT. They found that ChatGPT boosted the productivity in writing tasks of lower-ability workers more than those of higher ability.

Any grounds for optimism?

If the past decade is any guide, there may be. In 2013, a much-cited academic paper by two economists, Carl Benedikt Frey and Michael Osborne, argued that advances in automation could wipe out up to 47% of US jobs over the next decade. The pair have now written a new paper ("Generative AI and the Future of Work: A Reappraisal") in which they argue that remote jobs are more likely to be automated, while AI will increase the value of in-person communication skills. They say that while creative jobs are less vulnerable, creative professionals might face more competition and lower wages, as generative AI makes content creation easier. But either way, in the decade since the original paper, their worst fears have not come to pass. Average rich-world unemployment has halved, and it is lowest of all in countries with the highest rates of automation and robotics, such as Japan, Singapore and South Korea.

So no need to panic?

There are some sectors of the economy, such as construction and farming, that are beyond the reach of AI, says The Economist. Others are heavily regulated or unionised, so technological change will be "pitifully slow". Others are at risk. A study by Edward Felten of Princeton, and colleagues, put legal services, accountancy and travel agencies at the top of that list. But whatever happens, new technologies will create new types of jobs as others are lost. A striking 2020 paper by David Autor of MIT found that about 60% of the job roles in the US did not exist in 1940. "Fingernail technician" was added to the US census in 2000; "solar photovoltaic electrician" arrived just five years ago. "The AI economy is likely to create new occupations which today cannot even be imagined."



It's time to make friends with AI

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A US import we could live without

The Black Friday sales are becoming an established part of the year. Retailers should boycott them



Matthew Lynn
City columnist

We were already used to Halloween and Mother's Day being turned into major retailing events. Now we're starting to get used to Black Friday as well, which started in the US as the day after Thanksgiving, which traditionally marked the start of the Christmas shopping season, and which retailers would celebrate with a few special offers to start the busiest period of the year.

With the arrival of the American online shopping giants, led by Amazon, it has now been exported around the world. Even in countries such as the UK, where Thanksgiving is completely meaningless, Black Friday is now a major retail event. All the major chains now feel compelled to offer a range of special offers and discounts around the middle of November, or else face a huge loss of sales.

Business is hard enough as it is

Last year, the event generated £8.7bn in retail sales, with half of that online, up by a modest £120m on the year before. In an economy where there is zero growth, and sales overall are flat year on year, many of the major chains will be desperate for anything that brings a few more shoppers in. But the truth is that Black Friday is one American import too many.

Firstly, it makes running a retail business harder than ever. Traditionally, shops stocked up on goods in the autumn, sold a lot over November and December, and anything that was left over went on sale in January. For many retailers, that Christmas trading boom generated the profits that kept them afloat for the rest of the year. Staging a mini-sale in the middle of November disrupts that, forcing companies to put



everything on offer at what should be the most profitable time of the year.

There are enough problems facing the retail industry already. Business rates are punishing. Energy costs have soared. Staff are harder to find than ever, and national insurance and mandatory pension contributions keep going up. We can see the impact of all that on the average high street and in shopping malls, with boarded-up windows and vacant lots. By making it harder than ever to make any money, Black Friday has made the crisis a whole lot worse.

Secondly, Black Friday squeezes supply chains by concentrating demand into a single weekend. We have already seen plenty of problems with retailers struggling

to match demand, and keep the shelves full at critical times. There are shortages of staff to contend with, and, if orders are placed online, the delivery companies struggle to keep up. The system would work a lot better if the spikes in demand were evened out. Black Friday prevents that from happening, and one year the whole system may well crash from the sheer weight of demand.

Let's make life easier

Finally, it promotes a culture of constant discounting and deal-hunting. It is not just that the Christmas season is ruined, with consumers cramming all their shopping into one hectic weekend. It spreads out into the whole year. Sales used to be restricted to January, with a few offers in the middle of the year. Now it is one deal after another, with the summer sales followed by Black Friday, Cyber Monday, Prime Day, and then a few more. Almost nothing gets sold at a regular price any more. The big space in retailing right now is in fact for everyday fair pricing, giving up all the deals and offers and just charging a reasonable price all the year round. It cuts out all the work for consumers of having to shop around and makes life a lot easier for everyone.

In the past, a handful of stores, especially small independent retailers, have bravely boycotted the whole jamboree, but all too often the competition from their rivals forces them back into the game. But Black Friday is delivering diminishing returns for everyone. Companies are not meant to collude with one another, but perhaps this time they should make an exception. If a whole group of the UK's major retailers got together and announced that Thanksgiving meant nothing to us, that Christmas shopping was fine the way it used to be, and that Black Friday was being cancelled this year, it would be a huge relief to everyone.

City talk

● The £534m bid for Hotel Chocolat by American confectionary-to-pet-food giant Mars is "the sort of deal... that makes you wonder, once again, if the UK stockmarket knows how to value anything", says Alistair Osborne in *The Times*. At 375p per share, this values the firm at a 170% premium to where it was trading before the offer. Co-founders Angus Thirlwell and Peter Harris, who each own 27.1% of the shares, may have felt they were in no position to resist. Hotel Chocolate "has shown itself lately to have too much of a soft centre" – profit warnings after a "botched attempt" to expand in the US had seen the shares "melting away" since

hitting a record high of 532p in 2021. Considering that, what Mars is offering looks like a "knockout bid" reckon analysts at broker Peel Hunt: it values Hotel Chocolat at 23.7 times last year's earnings before interest, tax, depreciation and amortisation (Ebitda). "Has Mars overpaid or is this more market mispricing?"

● Glencore's plan to list its coal assets in New York is a fresh blow for London, says Alex Brummer in the *Daily Mail*. The Swiss-based but UK-listed miner is spending

£5.7bn to buy most of Teck Resources's metallurgical coal business, which will then be combined with Glencore's own and spun off within two years. That will leave Glencore as a "cleaner copper and metals entity with a vibrant trading arm". However, the spin-off will be heading to New York, with secondary listings in Toronto and Johannesburg. While CEO Gary Nagle considered a primary listing in London, "far deeper liquidity and a less hostile attitude towards investment in fossil fuels" in the US made it a better prospect.

● Best of luck to Michel-Alain Proch, the new chief financial officer of London Stock

Exchange Group (LSEG), in keeping the City happy, says Simon English in the *Evening Standard*. "He may need it." One big problem for Proch and his CEO David Schwimmer is that many people have the wrong perception of what LSEG does. They feel the 300-year-old London Stock Exchange is "at the very vital heart of everything the Square Mile does". Yet "the sleepy business of running an exchange that trades shares is about 4% of the revenues". Mostly, LSEG is about selling data and analytics to investors in 190 countries around the world. "There's a fairly vocal crowd in the City and a smaller one in Westminster which hates this idea."





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Mark Smith, director at valuation specialists Quastel Associates, says: "About 80-90% of clients we see are incorrectly insured. The biggest problem is that people forget about boring stuff like kitchen equipment, books, curtains and carpets and clothes. It all adds up."

Underinsurance is when the amount you're covered for by your insurance is less than the cost of replacing or repairing your belongings. It can result in claims of damage or loss being only partially met or not at all by insurance.

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Covering your home

A house is more than just an asset or bricks and mortar. It's a home, your home in fact, filled with a lifetime of accumulated possessions. Some may be precious and treasured - gifted or inherited - others may be stored away and overlooked. Some may have been acquired for their value, as an investment or gift, such as fine art, antiques, jewellery or other collectables.

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We have over 110 years of experience protecting what's important to our customers, and our customers are clearly impressed, with 9 out of 10 Bespoke policies renewed every year.

Beware of underinsurance

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If you have expensive items - perhaps jewellery, fine art or collections - then it's particularly important to be mindful that standard insurance may not fully protect you or include access to specialist repair or replacement services. But it's not just expensive items you should be aware of, the value of everyday items, such as clothes, furniture and electronics (even kitchen utensils), can add up. That's why we work with expert valuation partners who can provide specialist reviews of your belongings. This will help ensure you're never left without appropriate cover and the devastating financial losses of underinsurance - without mentioning the emotional pain of losing something you can't afford to replace.

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A tale of two markets

The continued outperformance of the US market will depend almost entirely on its giant tech stocks



Cris Sholto Heaton
Investment columnist

There are two obvious ways to think about the US stockmarket. One is that it looks expensive compared with both peers and the past. For example, the MSCI USA index is on a trailing price/earnings (p/e) ratio of about 23.5 and a forecast one of about 19. The equivalent figures for the MSCI Europe are 14 and 12. (The MSCI USA is similar to the S&P 500, but I prefer using MSCI indices when making international comparisons because of the standardised data.)

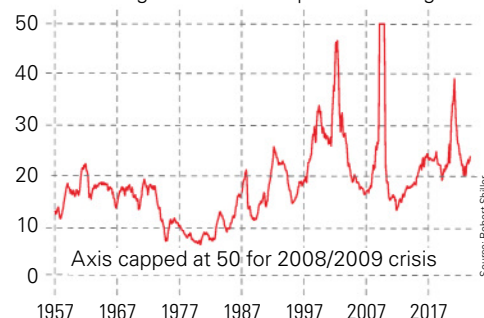
If we look at average valuations since 1957 (when the S&P 500 was created), the average trailing p/e has been about 19.5 – or 17.5 if you'd prefer to treat the era of near-zero interest rates since 2007 as an aberration that should be handled carefully in assessing what's normal. Either way, today's valuations look high. You can then consider whether differences in sector composition, profitability and growth mean that the US today deserves a premium valuation relative to other countries – or relative to history.

The magnificent seven

The other is to say that the US market consists of a handful of very large stocks, mostly in technology, some of which are assumed to have huge growth potential, plus the rest of the market. Let's assume that group is seven stocks: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. These account for about 27% of the MSCI USA and their average p/e, weighted by size, is about 46 trailing and 34 forward, using Bloomberg data. This will not be exactly comparable to the MSCI numbers above, due to different periods for trailing and forecast earnings, but for our purposes of assessing the scale of the effect, that

S&P 500 price/earnings ratio

Price to trailing 12-month as-reported earnings



Source: Robert Shiller

shouldn't be a problem. That would imply that the rest of the MSCI USA is on a trailing p/e of somewhere in the region of 15-16 and a forward p/e of 13-14.

What if we do the same in Europe? Take the seven largest stocks excluding financials and energy, which tend to trade on low p/es. That's ASML, AstraZeneca, LVMH, Nestlé, Novartis, Novo Nordisk and Roche. These account for roughly 17% of the MSCI Europe. They trade on an average trailing and forward p/e of 29 and 23, and excluding them implies a valuation (both trailing and forward) of somewhere around 10-11 for the rest of the market. So the same effect exists to some extent – but the impact on overall market valuation is much greater in the US.

Setting the direction

So just a few stocks play a very large role in why the US looks more expensive. Yes, the rest of the market is still pricier than Europe, although even this needs nuance – it is partly because like-for-like companies tend to have higher valuations in the US, but also because the US has greater weight to sectors that tend to be more highly rated. But fundamentally, at these extremes, whether the US market continues to outperform or not seems to hinge very strongly on the prospects of its tech giants. Next week, we'll look at how that question affects our choices of US equity funds in the MoneyWeek asset-allocation portfolio.

Guru watch

Ken Griffin,
founder,
Citadel



"The peace dividend is clearly at the end of the road," says Ken Griffin, the billionaire founder of Citadel, one of the most successful hedge funds of all time. The world is heading towards greater unrest, as shown by Russia's invasion of Ukraine and the conflict between Israel and Hamas, he told Bloomberg's New Economy Forum. This will have huge consequences for the global economy, not least in monetary policy. "We are likely to see higher real rates and we're likely to see higher nominal rates."

Higher rates will make it more expensive to fund America's debt, which has soared in recent years as a result of the pandemic and higher defence spending to support Ukraine. The current deficit is unsustainable, says Griffin. "We're spending at the government level like a drunken sailor". Default isn't on the cards since the federal reserve can continue to buy government debt, but "the economic consequences would be devastating", he says. "The minute we start to print dollars just to deal with the possibility of a default, our economy is going into a deep tailspin." So spending will have to be reduced, which will be painful, and the US economy could go into recession.

These geopolitical tensions are also remaking global supply chains. This trend began in the pandemic, with tensions around some countries hoarding safety equipment and unequal distribution of vaccines, but is now extending more widely. "Countries are much more sensitive to 'What do we want to have created domestically, so that we are not reliant on global trade?'"

The invasion of Ukraine has greatly affected Europe's energy security, causing it to lose access to cheap Russian natural gas, with significant consequences for its economy. "There's many trends at play right now that are pushing us toward de-globalisation," says Griffin. "With that is almost certainly a trend towards higher baseline inflation... [which] could be for decades."

I wish I knew what Ebitda was, but I'm too embarrassed to ask

Earnings before interest, tax, depreciation and amortisation (Ebitda) is a way of measuring profit that can make it easier to compare the valuation of two companies. Ebitda may be helpful when it is difficult to compare firms using other profit measures – such as earnings per share (EPS) – because they have very different levels of debt, tax rates, or different accounting policies on, for example, the depreciation of fixed assets.

Ebitda measures a firm's profitability before these factors are taken into account. The two businesses can then be compared on a like-for-like basis by taking their enterprise

values (EV – the market value of all their shares in issue, plus net borrowing or less net cash) and comparing this with Ebitda. The lower the EV/Ebitda ratio, the cheaper the company – essentially it's like a price/earnings (p/e) ratio, but using a different measure of earnings and taking account of debt.

Ebitda first came into common use in the US in the 1980s during the boom in leveraged buyouts (LBOs), as a measure of the ability of a company to service a higher level of debt. This had a major impact on what a prospective buyer would be willing to pay. Over time it became popular in industries with expensive

assets that had to be written down over longer periods of time. Today it is commonly quoted by many companies.

Ebitda can be useful when combined with other analysis tools, but it has become an overused and abused measure of value. Its strength – that it represents profit before various costs – is also its weakness, because it doesn't represent profits that can be paid to investors (as opposed to helping private-equity buyers gauge how much debt a firm could be loaded up with).

EPS isn't perfect, but at least it allows for replacing assets, depreciation, paying interest on borrowings, and paying tax – all of which reduce how much profit ends up in investors' hands.

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Prices are key to solve water crisis

Arunabha Ghosh
Nikkei Asia

A catastrophe looms unless we “restore and safeguard the water cycle”, says Arunabha Ghosh. Less rainfall across large parts of south and southeast Asia have reduced crop yields, while on the other side of the world, the Amazon has fallen to its lowest level in more than a century. But at least water is finding its way onto the global agenda. It will be discussed at this month’s UN Climate Change Conference and the Global Commission on the Economics of Water, of which I am a member, is trying to “tackle” the crisis head-on, looking at the three key pillars of water security: “the proper valuing and pricing of water, water recycling and the role of finance”. Water, our “most precious common resource, is currently undervalued and often underpriced”, encouraging “overuse and misuse”. The release of untreated urban and industrial water results in huge pollution. It could be treated and recycled to yield “not only water but also energy, fertiliser and organic inputs”. In terms of finance, water should feature explicitly in energy-transition plans. Green credits for the reuse of treated waste water by industry will incentivise industry and reduce pressure on limited fresh-water resources. Action is urgently needed to protect future generations.

Budgeting apps’ sums don’t add up

Imani Moise
The Wall Street Journal

“There is a hard truth about the business of personal finance,” says Imani Moise. It’s “tough to make money helping people spend less money”. When budgeting app Mint closes on 1 January, it will join a “packed graveyard” of start-ups that “tried and failed to cash in on financial responsibility”. If Mint customers or others want a budgeting app that will “survive” they are likely to have to pay for it via a subscription fee. The problem with these apps is that unmotivated people won’t use them, and there is in any case “little evidence that such services move the needle much for people who aren’t already engaged with their finances”. The business case for the apps is problematic. Mint made money from referral fees if users signed up for a bank account or credit card advertised on the site, but the people most likely to use the app and see the ads were “among the least likely to need the products that were advertised”. Despite the failure of free apps, the need for financial planning continues to grow as households save less and borrow more. Some banks hope to “fill that need” and can afford not to charge. Since Wells Fargo rolled out LifeSync to its retail bank last month, it has hit one million users.

The next Nasdaq darling

Ambrose Evans-Pritchard
The Telegraph

It’s a fair bet that cellular agriculture will soon become the “next Nasdaq darling”, says Ambrose Evans-Pritchard. Costs are falling at “lightning speed” and it is no longer impossible to imagine a day – possibly as soon as 2028 – when 50% of the world’s meat and dairy is displaced by cheaper food cultivated in labs using animal cells. Jim Mellon’s Agronomics is the only listed equity in the world that “offers a pure play on this technology”. Lab-grown food is already here. A Seattle Starbucks has been offering cow-free milk for two years. The manufacturing process doesn’t use antibiotics or steroids, avoids cruelty to animals, emits 97% less carbon and uses 99% less water than industrial dairy factories. Agronomics’ 100% cultivated dog food arrives in Pets at Home this winter. Cell-grown beef takes 40 days to create versus 28 months to raise a cow. It is much more resource-efficient. At present, around 70% of crops are used for animal feed. Cows consume 25 times more protein than they produce; the ratio for lab-grown meat could be as low as 2:1. Lab-cultivated food will help meet surging food demand, eat into Big Ag’s market and allow us to restore degraded lands. “And yes, it is going to make another wave of tech investors filthy rich.”

It’s time to crack down on crime

Editorial
The Washington Post

The empty shelves of a recently ransacked pharmacy in Washington DC symbolises a growing trend of “extreme retail theft”, says The Washington Post. The National Retail Federation reports a “dramatic jump” in stores’ financial losses between 2021 and 2022, up from \$93.9bn to \$112.1bn. In Washington, the hardest hit state, shops are being forced to close. Unlike typical shoplifting, this is “organised” and “flagrant” with thieves reselling goods online or on the street. A recent federal law requires online marketplaces to better track merchandise, but it’s too soon to “gauge its impact”. Tougher laws would help – in many states stealing less than \$1,000 worth of goods counts as a “misdemeanour, not a felony” – but a better legal framework “won’t help much if it’s not aggressively enforced”. If police don’t pursue cases, or make arrests which then don’t lead to prosecutions, shops won’t bother reporting thefts. But cities can fight back effectively. Take Seattle, where shoplifting is lower now than it was five years ago. The city identified 160 major offenders and those individuals were put in jail. As a deterrent, police conducted surprise one-day crackdowns that led to around 50 arrests each day. Other cities need to follow suit.

Money talks

“If a random person stops, she will charge them only \$2. If she knows you, she will fully scam you. I’ll get calls from my friends saying she charged them \$20 for a lemonade. She’ll grab their \$20 and say: ‘I don’t have any change.’”
Kim Kardashian (pictured) on her daughter’s lemonade-stand business, quoted in GQ



“I discovered that lots of friends around my age were wearing dinky little hearing aids that I could scarcely see. They said I should go private and get some, what else are you going to spend your money on, you mean b***d? The prices they paid ranged from £2,000 at Boots to £5,000 in Harley Street. I might spend that on a holiday in the West Indies, but not on titchy hearing aids.”**
Author and journalist Hunter Davies, quoted in The Sunday Times

“As long as you’ve been to Eton, someone just has a word with the King and pop, in you go. It doesn’t matter that you’ve lobbied ministers and chancellors and former prime ministers to try and make yourself shedloads of money during the pandemic.”
Nadine Dorries, former secretary of state, on David Cameron’s peerage and return to government, quoted in The Guardian

“If you don’t find a way to make money while you sleep, you will work until you die.”
Warren Buffett, quoted on Yahoo Finance

“Out of that [prize money] comes the wages for your manager, trainers, your sparring partners, the training camp etc, which certainly dents a hole in the pot... even millionaires need to be grounded. I was still a human being who needed to go shopping, get the house clean, and make a cup of tea.”
Former professional boxer and television personality Frank Bruno, quoted in The Mail on Sunday

©Getty Images

The long, hard road to net zero

[edconway.substack.com](https://www.edconway.substack.com)

Businesses are starting to realise that getting to net zero might be considerably harder than they first thought, says Ed Conway. Take Lego. The Danish company uses acrylonitrile butadiene styrene (ABS) in most of its toy bricks, and there's a reason for that: the material can be moulded precisely and is incredibly durable, for example. It took years of experimentation to finally settle on ABS as "the ultimate Lego material". The trouble is, it is made from crude oil – a problem for a company committed to sustainability and eliminating carbon emissions.

The plan was to replace ABS with an oil-free alternative and there was "much fanfare" a couple of years ago when Lego announced a prototype replacement made out of recycled plastic bottles. But it turns out that the material salvaged from the bottles is too

soft, and the processes involved in making it harder are highly energy-intensive, meaning that the carbon footprint of these "greener" bricks would have been higher than the old ones. Lego has gone back to the drawing board with the "dawning realisation" that ABS might not be easily replaced – or indeed by replaceable at all.

An exhilarating revolution

This problem crops up again and again in the modern economy, as I show in my book *Material World*, says Conway. It turns out that the materials we use these days are "simply very good at what they do" and are not easily replaced. Kerosene is hard to beat as aviation fuel. Likewise methane for fertilisers, concrete for buildings, and so on. And fossil carbons are everywhere – in packaging, paints and adhesives, textiles, drugs, insulation and cleaning



products and on and on. Replacing the oil in these products is often a "surprisingly complex" business.

It's not all doom and gloom, however. Electric cars, for example, are a superior technology to what they're replacing, even if there are difficulties scaling up. Lego may be struggling to replace ABS, but it remains committed to net zero and work is ongoing on ways to produce it in less carbon-intensive ways and from biological sources.

In short, getting to net zero won't be easy and there will be many false dawns – the shares of many tech firms promising to solve this or that carbon problem have taken a tumble recently. But trying to "spark a fully fledged industrial revolution" was never going to be easy. It is probably the "single biggest economic challenge" humans have set themselves. Millions of us are now hard at work trying to solve some of the challenges. The coming decade will be an "exhilarating" one.

Why the oil-price cap failed

[unherd.com/the-post](https://www.unherd.com/the-post)

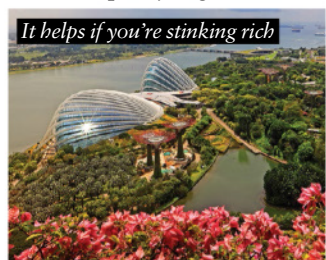
To win a game of chess, one needn't be a grandmaster, just better than your opponent. Similarly, Vladimir Putin may be no genius, but he seems to understand commodity markets better than his Western counterparts, says Ralph Schoellhammer. Moscow's economy shows no sign of collapsing under Western sanctions, and officials are now admitting that almost no Russian oil is sold for prices below the \$60 price cap. Soon after the cap came into force, Japan asked for an exception to keep its economy running. India, China and Saudi Arabia continued to buy Russian crude, refined it and then resold it to Europe and the US. Putin knew that notoriously in-elastic products such as oil and gas would render a price cap useless. If the international community had gone along with a boycott of Russian oil, it would have collapsed not just Russia, but the global economy too. Other approaches could have been taken. In-elasticity "works both ways", so it doesn't take much oversupply for prices to crash. If instead of a price cap the US and Europe had "turned on the energy spigot" and built the Keystone XL pipeline, kept nuclear power plants running and fast-tracked new drilling and fracking permits from Texas to the North Sea, oil and gas prices would have crashed, severely hampering Russia's war effort.

The joys of Singapore

[noahpinion.blog](https://www.noahpinion.blog)

The world could learn a lot from Singapore, says Noah Smith. The first thing that strikes you about it is that it is "stinking rich" – the third richest country in the world, about 65% richer than the US, and with a GDP per capita of \$93,000. This gives it options when it comes to making the country a pleasant place to live. True, not every country can follow its economic

model, acting as a gateway for foreign investment from the US to Asia. But it has followed its gameplan with "amazing skill" – leveraging its great education system, high levels of skilled migration and a highly focused industrial policy to great effect.



The result is a built environment almost as dense as Tokyo's, but one with lots of lavish and impressive buildings, a spectacular amount of greenery, plenty of high-rise but nonetheless pleasant housing, and even a complete absence of bugs, despite the tropical heat and humidity. That's not to mention the amazing food, fun neighbourhoods and spectacular diversity of architectural styles. Tempted to visit? Just don't take any marijuana with you. "They'll beat you with a cane and send you to prison for decades."

Profit is not a dirty word

[aier.org](https://www.aier.org)

"Mr Beast" made a name for himself as a social-media phenomenon, and has raised hundred of millions of dollars for humanitarian causes, says Jon Miltimore. His charitable efforts have helped clean up the oceans, planted 20 million trees, fed needy people in communities across the US and brought clean drinking water to an estimated 500,000 Africans.

Critics, though, are not happy with his "philanthro-tainment" strategy and claim it is really all about enriching himself, exploiting his viewers for profit. The key word is profit, which became a dirty word over the course of the last century as students were "inundated with social justice tropes" and Marxism at universities. What Mr Beast's success really shows is "the power of voluntary action and the miraculous power of the profit motive". The problems he is addressing could have been addressed by governments long ago. But it took a Youtuber seeking profits to actually do some good. "The results of Mr Beast's philanthropy surpass government-led efforts by miles. And that's what his critics can't handle."

How to cash in on copper

The red metal's long-term prospects are compelling, thanks to the global energy transition



Rupert Hargreaves
Investment columnist

Copper is an essential raw material in our modern economy. It is used in every electrical device and across the global electric grid. The average home contains 180kg of copper, while the average car has roughly 30kg of the red metal – electric vehicles contain double this quantity. As the global energy transition gathers pace, demand will only increase.

National Grid estimates that by 2050, wires will carry 80% of the UK's energy needs compared with 20% today, as technology such as electrical-powered heat pumps replace old-fashioned gas boilers. This means £19bn of new pylons and transmission systems containing billions of pounds of copper will be required. According to Goldman Sachs, just 4% of copper consumption in 2020 was allocated to green uses. By 2030, the figure is expected to rise to 17%, illustrating how far the world has to go and the potential for increased demand.

Growing deficit

Estimates vary on how much this additional demand will affect the overall market. Consultancy McKinsey believes annual copper demand will increase to 36.6 million tonnes by 2031, up from 25 million tonnes today. S&P Global Market Intelligence reckons



Worldwide demand could more than double by 2035

demand will double by 2035, rising to 50 million tonnes. Goldman Sachs thinks global demand could reach 60 million tonnes by 2030. In reality, these figures don't matter. What matters is supply, which is far easier to predict and understand as copper mines can take decades to develop.

According to S&P Global, it takes an average of 23 years from discovery to commercial production for the largest copper mines. And in future it could take longer – the largest, most lucrative projects have already been mined, so explorers will have to dig deeper and look harder for low-quality resources. The challenge of finding and developing copper

mines means we have a high level of visibility over the supply that will come to the market over the next decade. S&P Global expects a surplus in the copper market over the next two years, as several new projects across the world have started production this year.

However, after 2026, S&P expects the surplus to become a deficit (although the International Copper Study Group ICSG argues the market is already struggling with a deficit). Many projects were started more than ten years ago, and since then development capital spending has dried up. Spending peaked at \$26bn in 2013, fell to \$14.4bn in 2022 and could decline by a further

19% in 2023, setting the copper market up for a period of constrained supply just as spending on electrification net-zero projects accelerates.

Once again, forecasts differ on the scale of the shortfall, between six million and 20 million tonnes annually, suggesting the pipeline of new copper projects is far from enough to meet growing demand. So copper prices are likely rise over the next decade as demand outpaces supply.

Top funds

The cyclical nature of the mining industry means funds are the way to play this growth. **BlackRock World Mining (LSE: BRWM)**, the investment trust managed by industry veteran Evy Hambro, is a top choice. Just under 24% of its portfolio is invested in copper production, the largest sector allocation. The trust can invest in mining royalties and debt as well as equities. The **Lyxor STOXX Europe 600 Basic Resources UCITS ETF (Frankfurt: LBRE)** is a passive option, although it is highly concentrated, with Rio Tinto and Glencore, both global mining powerhouses, making up about 45% of assets. Finally, the **Global X Copper Miners UCITS ETF (LSE: COPG)** is a passive fund focused purely on copper miners. Top holdings are Lundin Mining, Grupo Mexico and Teck Resources, three large copper miners UK investors might struggle to buy independently.

Activist watch

ValueAct Capital has built a stake in Disney, adding to pressure on the entertainment giant to shake up its operations, says Bloomberg. The size of ValueAct's stake is yet to be disclosed, though it is said to be among the largest positions the entertainment and media giant. Renowned activist investor Nelson Peltz's Trian Fund Management has also been attempting to change the group's strategy in recent years. The shares have fallen by 40% in the past two years. A key issue has been consumers' shift towards streaming services in place of traditional television and cinemas. CEO Bob Iger has cut costs by axing 8,000 employees last year, while he also hopes to sell television channels such as ABC.

Short positions... the exodus from UK stocks endures

■ **Mark Mobius will retire from Mobius Capital Partners in the next few months, says the Financial Times. The 87-year-old began his investment career 40 years ago, developing a reputation as "one of the industry's most prominent emerging market fund managers". He scooped up bargains during the Asian financial crisis and in Russia in 1998. The bulk of Mobius's career has been spent at Franklin Templeton. He launched one of the world's first funds dedicated to developing economies in 1987, and grew the portfolio at Templeton Emerging Markets from \$100m to \$40bn during his time there. Later, in 2018, he founded Mobius Capital Partners with colleagues from Templeton. Primarily investing in Taiwan, India, South Korea and Brazil, the company's \$42m fund has returned almost 27% since its inception, compared with the 11.5% return of the MSCI Emerging Markets Mid Cap Index.**

■ In October, UK-based equity funds suffered £5.5bn in net outflows, marking a ninth successive month of money leaving stocks, says Citywire. Outflows have reached almost £26bn so far this year. An uncertain economic climate has prompted investors to quit riskier holdings. Instead, they are flocking to cash, global government bonds and UK gilts, with the two sectors gaining £231m and £145m respectively. The £2.1bn M&G Japan fund was October's biggest winner, recording £369m of inflows owing to renewed optimism about the Japanese market, which has risen by 15% over the last year. Meanwhile, the Aviva Investors UK Equity Dividend saw the highest rate of withdrawals, a net £320m. The British equities sector has seen 19 consecutive months of outflows.



British public are overwhelmingly behind Net Zero – politicians need to help them

With the cost of living remaining high and environmental concerns looming, nearly 70% of people are looking to change the way they use energy in their homes to reduce their bills and minimise their impact on the planet.

New schemes, such as OVO's Power Move, aim to help customers shift their energy consumption away from times of peak demand, when the grid is topped up using fossil fuels. Households that use energy outside of these hours enjoy the cheaper energy provided by renewable sources such as wind and solar farms.

Between 4 - 7pm every day, demand on the energy grid is at its highest. Using customer data, we found that the average household uses 19% of their daily total usage during these hours. At times of peak demand there is often not enough renewable energy to go round, leading to additional demand on the grid ultimately resulting in more expensive and dirtier energy to fuel our homes.

By moving energy-intensive tasks like laundry, dishwashing and charging electric

vehicles to off-peak hours, people can save money by powering their homes with cheaper, renewable energy which is abundant. 26% of people over the last year joined one of these schemes. 57% said that one of these schemes had a significant positive impact on their energy bills, and 75% wanted to continue.

At OVO, we have already seen the enormous benefits this simple shift can achieve. Our Power Move scheme encouraging customers to use energy off peak - when it's cleaner and cheaper - has saved over £576,000 for customers so far.

While saving money is a compelling reason to change the way we use energy, the environmental impact cannot be overstated. Shifting household energy usage contributes significantly to reducing our reliance on fossil fuels and mitigating climate change. Fewer fossil fuel powered plants running at full capacity during peak hours means fewer greenhouse gas emissions. This could play a vital role in transitioning to a cleaner and more sustainable energy grid.

Yet as we transition to renewable energy



sources like wind and solar, a flexible grid is necessary to manage their intermittent nature. We need a grid that adjusts according to demand so we don't have to fire up expensive gas power stations to provide additional capacity at peak times.

At OVO we are engaging with policymakers and the wider industry to support initiatives that promote a more flexible grid, and the widespread adoption of energy consumption shift initiatives. The more we understand about the positive impact our actions can have, the greater the momentum for change.

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Junior miners will regain their mojo

The subsector is in a vicious bear market, says Dominic Frisby. That means it's time to scoop up the best bets

Mining is notoriously cyclical. But if ever there was an industry that blows desert hot and arctic cold, it is the subsector of small-cap and early-stage companies known as junior miners. And boy has it been blowing cold. Many of the old hands are saying this is the worst bear market they have ever known, worse than between 2013 and 2015, when junior mining had a near-death experience following the boom of the 2000s; worse than the bear market of the 1990s that came with hugely depressed metals prices at the end of a 20-year commodities downturn, followed by the Bre-X scandal.

Bre-X was one of the scams of the century. The Canadian gold-mining company falsified gold samples from its mine in the middle of nowhere in Indonesia. The stock went up more than 1,000-fold, from pennies to a C\$6bn (£3.5m) valuation before the fraud was exposed. The sector went into a prolonged depression, starving it of capital. The story became the basis for the film *Gold*, starring Matthew McConaughey.

Mining needs capital. It typically takes more than 15 years to take a mine from discovery to production. That's 15 years of drilling, development and mine building with no chance profit in sight, unless you sell your deposit to someone else, who then has to find the capital to take it into production. Millions, sometimes billions of dollars are needed. There is no immediate return, there is no guaranteed return. Why invest in something with such long time horizons when you can invest in some technology play that could generate revenue in months?

A lot can happen in those 15 years developing a mine. The metals markets can change, from supply shortages sending prices higher to gluts sending prices lower. The money markets can change – interest rates can go up, for example. Politicians might seize strategic assets or impose windfall taxes; anti-mining lobby groups might block development. It may be that after ten years of drilling you discover the deposit is not quite as economic as you had hoped.

The cycle turns

Mining is hard. Many walk away. Then there's no capital in the sector. With no capital, there's no new metal supply coming to market. Then there's a shortage of metal. Then, suddenly, we need to invest. Then capital floods the sector. It all starts to look rosy again. People make lots of money. Projects that will never make it to production start to get financed. Investors start to lose money. Rinse and repeat.

With Vladimir Putin's invasion of Ukraine in 2022, commodities prices sky-rocketed. Supply chains were disrupted. Russia's many natural resources were now effectively off-line to the West. Nickel was probably the poster-child of the parabola. It suddenly spiked from about \$17,000 to \$100,000 a tonne on 7 March 2022. The London Metals Exchange had never seen anything like it. That was the peak – a bear market then took hold that has left the eyes of anyone invested in the sector bleeding.

It doesn't matter if the metal being mined is base or precious, strategic or industrial, junior mining is in the doghouse. Metal prices themselves might not be

**“Nickel
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Gold miners have lagged the gold price for two decades

that disastrous: gold is close to \$2,000 an ounce (oz). Copper is not far off \$8,500 a tonne. Iron ore costs \$130 a tonne. I've seen worse. The senior producers, the likes of BHP Billiton or Glencore, are not faring that badly either. It's the juniors – the development plays, the explorers – that have been slaughtered.

A bright spot

There are exceptions. Uranium for example. We need uranium. Kazakhstan, the world's largest producer, is struggling to bring its uranium to market in the West. It has Russia to the north; China, which will not export, to the east; Afghanistan and Iran to the south; and Ukraine to the west. It's geographically problematic. For that reason I like uranium, and I think it's going higher. But more than 90% of mining companies in uranium mining exchange-traded funds (ETFs) will not see any production for at least a decade, probably two.

Taking a uranium mine to production is an even longer process than for most other metals. The ETFs might be going up, but the companies within them are drains on capital. The only compelling reason to invest in them is that the value of their resources are perceived to be increasing. I wouldn't touch them myself. You are better off just owning the metal. **Yellow Cake (Aim: YCA)**, which stores the metal, is the way to play it.

You could say the same for gold. Mining is supposed to give you leverage to the metal. That has not happened. Miners have not outperformed the metal for a sustained period for 20 years. The metal has been outperforming the miners. There are so many ways to own gold: ETFs, online bullion banks, futures, spreads, and contracts for difference (CFDs). Why take the risk on a miner?

The result of all this is that there are junior mining companies that are currently offering extraordinary value. I'm not saying that in two months' time they won't be offering even more value because they have



“Tharisa mines platinum-group metals and meets 10% of China’s annual demand for chrome”

become even cheaper. They might well have. But in any case here is a selection of four companies that I think have a good chance of doubling or tripling if and when this sector turns up.

Silver mine set to shine

Two of them are Canada-listed. **Sierra Madre Gold and Silver (Canadian Venture Exchange: SM)** is bringing a Mexican silver mine, La Guitarra, back into production. A fortnight ago it declared that it has dramatically more silver – a key metal in green technologies – than previously estimated. Its mineral resource estimate went from 17 million to 47.4 million ounces of silver in total. This is a big development. The news came quicker than expected and better than expected. In mining it’s usually the reverse. But the market barely shrugged. In a bull market, this news would have doubled the stock.

Sierra Madre will be producing silver next year. Permits are in place. The mine reconstruction is months, not years, away from completion. It needs silver at about \$13-\$14/oz to break even. The silver price is around \$23-\$24, so it makes roughly \$10 profit on each ounce. The mine’s previous production was between one and two million ounces per year.

Sierra could now produce at higher rates given the increased estimate, but even at the previous rate Sierra will make \$10m-\$20m per year, which, for a company with a market value of \$36m, is compelling. There is also potential to increase the resource when Sierra Madre drills out the eastern part of the site.

The firm will need to raise several million in the next few months, but CEO Alex Langer has that in hand, although he will need to demonstrate that to a doubting market. Then production will hopefully begin by next summer. Langer is buying. I have been buying, too.

Andrada Mining (Aim: ATM) is a play on both tin and lithium. It started out as a tin miner with lithium

and tantalum by-products, but lithium discoveries at its Uis project in Namibia have proved so compelling that the company rebranded itself as Andrada (after Brazilian mineralogist, José Bonifácio de Andrada e Silva, who first discovered the lithium-bearing minerals, petalite and spodumene).

Andrada’s lithium is used in the ceramics industry, not in batteries. Management is young and ambitious and the group is producing tin at profit. We are waiting for news on a big catalyst for the stock, which is its partnership with a “strategic investor”. There are, we gather, numerous applicants but this is a conversation that has been going on for a long time. It’s a 5p stock, but it could easily be 10p or 15p if this deal comes off.

Unloved and cheap

A ludicrously cheap London-listed mining play is **Tharisa (LSE: THS)**, which now has a market value below £200m. It has suffered because platinum group metals (PGMs) have been out of favour, though it also produces large amounts of chrome, which it ships directly to China at a considerable profit, from its Tharisa mine in South Africa. Tharisa supplies around 10% of China’s annual chrome demand, and chrome prices remain strong. The company has \$127m in cash and its dividend yield is around 9%.

The money was to construct its Karo project in Zimbabwe, but weak PGM prices mean it has delayed development by a year, which is unfortunate. Even without Karo, which the market appears to have deemed a liability, not an asset, earnings per share for this year are expected to reach 32p, putting it on a price/earnings (p/e) ratio of two.

Next year those earnings will be lower if the slide in PGM prices continues, so EPS will be lower. Then again, PGM prices could rise. By the time Karo is producing you could be looking at a company with 400,000 ounces per annum of PGM and two million tonnes of chrome production with decades of mine life – huge. It’s a bargain, if you are prepared to take on the risk of both South Africa, and mining in general.

Moneta Gold (Toronto: ME) owns the largest undeveloped gold project in North America, the Tower Gold project, near Timmins, Ontario. Its mineral resource estimate (MRE) showed it has 12.8 million oz. With a market value of C\$100m (£58m), that means its gold is currently priced at \$6/oz. It is not unheard of for companies in such mining-friendly jurisdictions to trade at ten times that. But, with all the successful drilling that has taken place (there have been 16 positive news releases in a row), that resource estimate is going to increase to somewhere above 15 million oz.

Nonetheless, this is a huge project, a low-grade bulk deposit, and it needs bucketloads of capital to take it forwards. It also needs a new CEO. Chairman, Josef Vejvoda, is standing in as interim CEO while the search goes forward. The investment thesis is that this asset is simply too big to ignore and that a major will buy it. My concern is that this story is well known now, so why has a major not gobbled it up already?

I’d love to tell you that a bull market is around the corner – it is certainly overdue – and that these things are going to rocket. But all I can say is that they are cheap. Note, however, that we are about to start the North American tax-selling season, when investors sell off their losers to take a tax loss. That is only going to add to the selling pressure.

Yet the amazing bull market of 2016 began almost on the last day of tax-loss selling in 2015. Let us hope for a repeat. Bull markets in junior mining come when you least expect them. Often they just happen with no apparent trigger. When they do happen, they happen fast, and the moves can take your breath away. It’s best to book your seat on the bus in advance.

The British blue chips set for a bounce

Small-cap trading expert Michael Taylor of Shifting Shares departs his usual hunting ground to find the most promising companies in the FTSE 100

The FTSE 100 isn't usually a hunting ground for private traders. It certainly isn't my usual area. These stocks are often so large that it's hard for private investors to gain an edge over the smart money who have bigger bankrolls, bigger teams and bigger computers.

This makes sense. Whereas an entire team may be dedicated to covering the various cash flows of Vodafone's subsidiaries, stocks that have a market capitalisation of less than £100m may only have one person covering the sector – if there is even any coverage at all.

This makes small caps more attractive, because the inefficient market means higher potential returns become easier to find. Huge investing institutions are absent, leaving smaller players in what can be an illiquid market.

But this illiquidity is a double-edged sword, and works both ways. It can make acquiring (and disposing of) a stake in a business difficult because of the lack of supply. But should you pick the right stock and suddenly find a scramble of buyers looking to get exposure, then the price can rise dramatically.

When it comes to FTSE 100 stocks, liquidity isn't a problem. Unless you have very deep pockets, you're unlikely to have an effect on many of the stocks in the FTSE 100 with your buying and selling.

This can be great for trading as it means the spread is significantly easier to cross, and so the threshold to making profits on the trade is lower. A small-cap stock with a spread of 5% means a trader would need to make 5% just to break even on the trade. And there are certainly opportunities in the biggest of companies. Here are some stocks in the FTSE 100 worth looking at.

A hangover at Diageo

First of all, let's look at drinks behemoth Diageo (LSE: DGE). Nick Train of the Finsbury Growth & Income Trust has been a fervent supporter of this stock, and unfortunately (for him), he said this is an interview on 8 November 2023, two days before the company announced a profit warning: "It's dangerous for me to name individual companies... because they probably have a propensity to blow up in my face tomorrow."

That said, Diageo was a strong performer in the last bull market and is a solid constituent of the FTSE 100. But the profit warning suggests that macroeconomic headwinds are seeing at least some customers trading down and avoiding premium brands.

The stock's trend is firmly down. Are you in a position where you can confidently decide if this warning is a short-term blip or the start of a continued slump in the business's performance? This is why I avoid investing in FTSE 100 shares.

Another previous darling is online property portal Rightmove (LSE: RMV) – and for good reason. It has been a fantastically profitable business. Its dominance over the market has since been challenged, though, as more and more competitors arrive. The stock sold off heavily (and has yet to recover) when smaller competitor

OnTheMarket was subject to a bid by CoStar Group – a US company that provides information, analytics, and marketing services to the commercial property industry across the US and Canada, the UK and several European countries. CoStar is currently valued at roughly \$34bn, so the market is rightly worried that if CoStar wants some of the pie, then Rightmove's share may become smaller.

Online supermarket Ocado Group (LSE: OCDO), enjoyed a renaissance during the pandemic yet still failed to achieve a profit. The company expects to grow its revenue at a mid-single digit pace and achieve "marginally positive Ebitda" this year. Online delivery is now fully established by most of the supermarkets, so Ocado no longer has a unique selling point (USP) as far as customers are concerned.

My view is that the business is failing to turn a profit after 23 years and is only going to suffer further headwinds. Customers have become increasingly cost-conscious, and while Ocado has implemented three rounds of aggressive price drops affecting around 650 products, this margin investment eats into the company's profits. I'll stick to being a regular customer rather than a shareholder.

Rolls-Royce is revving its engines

One company that I believe is worth watching is Rolls-Royce Holdings (LSE: RR). The company's stock price is finally turning a corner after a rights issue in 2020 that followed a downtrend in place since 2018. The stock fell by more than 90% to 35p from a high of 379p in just over two years.

The half-year results released in August saw the company's full-year guidance raised, with free cash flow expected to come in between £0.9bn and £1bn. Furthermore, the chart is strongly in an uptrend, too. Given Rolls-Royce's solid position in civil aerospace, I believe the company is likely to continue going from strength to strength.

Despite the popularity of Rolls-Royce cars, Rolls-Royce Motor Cars Ltd is a subsidiary of BMW and not actually owned by Rolls-Royce Holdings (just the name). It's the engines and aftermarket services, as well as the defence business of the company, that you get exposure to when buying the stock.

With geopolitical tensions the highest in recent memory, and wars raging in both Ukraine and the Middle East, Rolls-Royce is a potential beneficiary of increased defence spending.

Turnaround on the high street

A company in a completely different sector that has also enjoyed a revival is Marks & Spencer (LSE: MKS). Before Covid the company was struggling to grow and profits were declining. But a new CEO and a focus on food is driving volume growth.

This has been achieved by price reductions for more than 200 products, contributing to a 45% rise in sales of the "Remarkable Value" range in the half-year to 30 September – it featured in more than one in five of all customers' baskets. The strength of this line means the

"Ocado has failed to turn a profit in 23 years and the outlook is discouraging. Shopping there makes more sense than buying the shares"

business has gained market share in the food sector and also means that profitability has risen, as promotional discounts have not been needed to drive sales as much as in the past.

The clothing and home sections have also undergone investment that is now paying off, evidenced by the company achieving a leading share in the womenswear market for the first time in four years.

An interim dividend is also being paid to shareholders for the first time since the financial year 2019-2020. Shareholders and the market will see this as a sign of confidence by management that the business is comfortable enough to generate surplus cash to reinvest in the business and also pay something to shareholders.

If we look at the chart we can see that the stock is approaching the January 2022 resistance of 255p. The share price action has seen the stock gain 150% in 13 months – not bad considering the old stockmarket adage that “elephants don’t gallop”.

FTSE 100 stocks are not my go-to for swing trading. But for those who want a tight spread and lower volatility – meaning trends can be ridden for longer with potentially lower drawdowns – it goes to show that finding the right stock can still deliver phenomenal results. Given the momentum in the business and the stock I would expect the shares to be higher in future, provided the group’s recent progress is not squandered.

The pick of the Big Four?

Another business outperforming expectations is Tesco (LSE: TSCO). The estimate of adjusted operating profit in the core retail business for the year to February 2024 was recently lifted to between £2.6bn and £2.7bn from a previously forecast £2.5bn. The expectation for retail free cash flow was also upgraded, to between £1.8bn and £2bn from between £1.4bn and £1.8bn.

The golden age of out-of-town supermarkets is certainly over. Buying up land and rolling out large superstores drove fat shareholder profits in the early 2000s, as discounters Aldi and Lidl had yet to take a foothold into the UK market.

The internet was still nascent, and so limited shelf space meant that Tesco and the other members of the Big Four supermarkets could charge hefty premiums on the “back margin” – charging suppliers for shelf space, and placing their goods in eye-catching promotional spots in the store.

Had the Big Four recognised the threat, they could have fought Aldi on price, and won. But the financial crisis drove shoppers into the arms of the discounters, and margins have never been the same since.

Still, Tesco is doing something right and has managed to significantly reduce the price gap on many essential products (and thus bolster customers’ perception that Tesco is cost-focused). It seems odd to me that Tesco runs “Aldi price comparison ads” as it highlights the fact that Aldi is the cheapest.

But of all the retailers, I feel that Tesco is the most robust competitor in the battle against the discounters. The stock price has drifted since the start of Covid, but with the business trading as it is, I expect the shares to be higher in the coming year.

Marks & Spencer has a leading share of the womenswear market

Luxury goods suffering

One company that has suffered a reduction in sales is Burberry (LSE: BRBY). Luxury brands saw an explosion in demand during the pandemic as disposable income shot up. But the cost-of-living crisis has destroyed appetite for luxury goods from the middle classes, who are also getting squeezed.

Rolexes and luxury watches that traded far above listing prices are now selling under their retail prices as the second-hand market has collapsed. Higher interest rates – financing is often used to purchase luxury watches – are not helping, either.

LVMH reported that rising inflation as well as global instability had hit demand in October, so last week’s profit warning from Burberry was not unexpected. The company reported that the global slowdown in luxury demand had hit current trading – and if it were to continue (which I feel is likely), then the company would fail to achieve its revenue guidance for the year to 31 March 2024.

As with Diageo, a shaky macroeconomic backdrop militates against upmarket labels, and there is not much Burberry can do. Part of the appeal of luxury goods is that they’re unaffordable for many, and this exclusivity lures people in. If luxury goods started discounting stock, this would undermine the brand’s cachet and nobody would want it. I would avoid Burberry for now as there are better stocks in the FTSE 100.

Michael holds no positions, long or short, in any of the stocks mentioned. You can use Michael’s free trading journal at tradesmash.com. Subscribe to Michael’s YouTube channel for weekly educational videos @shiftingshares

“Tesco is exceeding investors’ expectations and looks well placed to take on the discounters”



How politics affects stockmarkets

The more capitalist the government, the better equities do, says Max King

As a general election approaches, with the defeat of the current government looking inevitable, the consequent impact, if any, on financial markets is highly topical. The natural assumption is that a leftist or centre-left government would be worse for investors than a right-of-centre one.

Yet history does not support this conclusion. After Margaret Thatcher's election win in 1979, stocks fell for the rest of the year. It rallied sharply after John Major's surprise win in May 1992 but soon fell back again as Britain struggled with the recession caused by its membership of the exchange-rate mechanism (ERM).

Markets rose strongly for two-and-a-half years after Tony Blair's victory in 1997 but only modestly in the two years after Labour's defeat in 2010, when a coalition government took over. The All-share index has flat-lined since Theresa May's victory in mid-2017, despite Boris Johnson's Conservative triumph in late 2019.

Against that evidence is the reality that markets are forward-looking. Markets rallied strongly in the lead-up to Thatcher's victory in 1979 but subsequent weakness is explained by the crisis that saw the oil price doubling, inflation rising sharply and a consequent recession. Markets soared when the UK left the ERM in late 1992, resulting in a fall in sterling that was subsequently fully recovered.

A New Labour bull market

The bull market of 1997-2000 was Blair's New Labour personified; it was built on the profitless hype of the technology, media and telecom bubble, so it did not offend socialist sensibilities. Markets rallied strongly in the 15 months leading up to the 2010 election as the market bounced back from the financial crisis.

The 2017 election was followed by political stalemate as Brexit difficulties failed to be resolved and the 2019 election was soon followed by the pandemic slump. Arguably, markets have spent the last two years discounting a Labour victory in 2024.

Equally arguably, policies since 2015 of borrow, tax, spend and regulate have been indistinguishable from a supposedly socialist agenda. Consequently, the rating of the UK stockmarket as a whole has fallen sharply relative to overseas developed markets, as has the rating of UK listed companies relative to comparable companies listed overseas.

The high proportion of the sales of UK-listed companies that are made overseas (at least two-thirds) diminishes their vulnerability to domestic politics but doesn't eliminate it. The companies are nearly all headquartered in Britain, pay UK corporation tax and are primarily regulated here. In the past, their investors were mostly domestic, so their willingness or ability to invest was affected by domestic politics.

Past Labour governments have all, sooner or later, seen sterling devalued but this helps protect the profitability of exports, from overseas subsidiaries and from businesses indirectly servicing overseas earners. However, this applies to nominal profits denominated in sterling but not necessarily to after-inflation profits in dollars or euros.

Even when UK investors have appeared to do well under Labour, they might have done better investing overseas. This is especially relevant for bond investors, whose real returns are undermined by UK inflation



Markets rose strongly for two-and-a-half years after Tony Blair's victory

and sterling depreciation without the compensating gain of higher nominal returns.

That gilt yields are below those of US Treasuries indicates either complacency about sterling and UK inflation or concern about the strength of the dollar or the sustainability of the US fiscal deficits. Or it is a combination of these factors.

It's easy to get bogged down in the debate, but research entitled *Shorting Socialism* by Clark Dean, of US-based Verdad, offers an objective point of view. "Equity returns are often driven by a small number of outside winners," he writes, "and that type of inequity is toxic to socialists, who favour an equality of outcomes. Moreover, stockmarket returns are rarely a top priority for dictatorships of the proletariat."

He charts inflation-adjusted compound annual returns against the percentage of time in the last 35 years that the six largest Latin American markets had "capitalist" administrations. The lowest returns (negative) were from Argentina with barely 40% capitalist rule whereas Colombia, with an 11% annualised return, profited from having capitalist governments 100% of the time.

Chile (7% annualised returns, 55% capitalist) saw its best returns (29% per annum) under Pinochet's autocratic but strongly capitalist rule from 1973 to 1990. In general, though, "relatively higher levels of broadly defined 'democratic norms' in a nation have been shown to yield superior returns with less volatility than autocratic regimes".

This helps explain the poor returns from investing in China and why investors, rightly, were very wary of Russia. Prashant Khemka, manager of Ashoka WhiteOak Emerging Markets Trust, successfully uses a "net democracy score" to screen the countries with the best governance. This favours Poland, India and Taiwan over Turkey, China and the Gulf. It also suggests at least ambivalence towards Vietnam.

"More broadly," Dean concludes, "we would expect to see countries with long-tenured socialist regimes experience poor equity returns. Investors trying to discern where to invest their capital over the decades should significantly discount markets that seem prone to policies advancing objectives that are mutually incompatible with those of capitalism."

Despite Keir Starmer's soothing rhetoric, investors' returns are unlikely to be a priority for his government – but nor have they been for a Tory one for the last six years. Surely it can't get any worse?

"Stockmarket returns are rarely a top priority for dictatorships of the proletariat"

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Where to stash your cash

It looks as though interest rates have peaked, so lock in high yields while they are still available



Ruth Jackson-Kirby
Money columnist

Last week's unexpected fall in inflation means interest rates may have peaked. Savers need to act quickly to find accounts before they disappear. If you were hoping to secure a rate of 6% or more, you are too late. Accounts offering these rates have disappeared as banks and building societies anticipate that the Bank of England will stick at a rate of 5.25% for the coming months.

Interest rates have rocketed over the past year. Last September the best you could find on an instant-access account was 2.1%, but 14 months later you could secure 5.2%. If you haven't moved your money in that period, you should. On a £10,000 balance that is a difference of £310, assuming your money was in the best account last autumn. The best instant-access account is currently offered by Metro Bank, paying 5.22%, including a 3.46% 12-month bonus.

However, with interest rates stabilising you should also consider staircasing your savings to enjoy the best possible returns. This is where "you put your money in different length fixed-rate bonds", says George Nixon in *The Times*. You have access to some of your cash in instant accounts, some in medium-

term accounts and some in long-term bonds. That way you can lock in all the best rates available.

Traditionally, the longer you lock away your cash the better the rate. At present, however, the best rates are on the shorter fixed-rate accounts. The top-paying five-year bond is JN Bank's Fixed Term account, paying 5.5%. However, you could get 5.91% on Metro Bank's one-year bond. "This is because rates are expected to be lower in five years than they are now," says Nixon.

Green bond loses lustre

In this environment you should still staircase. If interest rates keep declining, "those who are confident that they won't need their cash would be better off fixing for longer", Mark Hicks from Hargreaves Lansdown told Nixon. However, if you are looking for a medium-term account, avoid NS&I's latest offering. It has relaunched its popular three-year green savings bond but slashed the rate from 5.7% to 3.95%.

This "has about as much appeal as a winter crossing of the Bay of Biscay on a Saga cruise ship", says Jeff Prestridge in *The Mail on Sunday*. In contrast, Al Rayan's three-year bond pays 5.6%. Al Rayan is a sharia bank which means it invests its deposits according to Muslim laws. This means it can't invest in tobacco,



It makes sense to staircase your savings

gambling, arms, alcohol or pornography. So its accounts can be considered ethical, if not environmentally friendly.

Sharia accounts always have an "expected profit rate" rather than an interest rate, as sharia principles mean "payment or receipt of interest is not permitted", Ravi Kumar from Gatehouse Bank told *The Telegraph*. So, to produce a profit the bank invests in sharia-compliant funds and then shares this with the customer.

If there is a chance it won't generate that profit you will be contacted and offered the option to close your account. You would then receive your deposit plus the profit at the original expected profit rate to that date. Al Rayan is also covered by the Financial Services Compensation Scheme (FSCS), so if the bank went bust you would get up to £85,000 of your savings back.

While you are rearranging your savings, give some thought

to your tax bill. Rising interest rates mean many people are at risk of breaching their Personal Savings Allowance (PSA) for the first time since they were introduced in 2016.

The PSA dictates how much interest you can earn on savings before you pay income tax. A basic-rate taxpayer can earn £1,000 a year and higher-rate payers £500. Additional rate taxpayers get no PSA. So £20,000 earning 5% interest would breach the PSA and incur a tax bill for a basic-rate taxpayer. The sum falls to £10,000 for a higher-rate taxpayer.

If you fear exceeding your PSA, put some money into a cash Isa, where it can grow tax-free. The best Isa rate is 5.85% on Virgin Money's one-year account. Alternatively, you can get 5.11% on Metro Bank's instant-access Isa, although this includes a 3.46%, 12-month bonus. Close Brothers Savings is paying 5.15% on its three-year Isa.

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Pocket money... the scammers exploiting bereavement

● Nationwide says "mortgage arrears are creeping up, but at a slower pace than expected", says Akila Quinio in *The Financial Times*. The building society saw a slight increase in bad loans in its half-year results, with 0.38% of its residential mortgage holders falling behind on their repayments for more than three months at the end of September, up from 0.32% in April. "Inflation, economic uncertainty and high borrowing costs remained 'key risks'."

● If you've been recently bereaved, watch out for scammers, warns Esther

Rantzen in *The Telegraph*. "There are scammers who carefully peruse the obituary columns in newspapers to try to identify the bereaved and send them lying invoices in the name of the person who has passed away."

One trick is to pretend to be a life-insurance company that needs you to pay one last premium so they can pay out the policy. Fraudsters may also pretend to be the tax man or the deceased's credit-card provider.

"And in the confusion and sorrow of those early days, far too many of those fake invoices are paid." If you are targeted by a scammer,

report them to your local police or Action Fraud.

● "A growing number of people are committing fraud such as cheating on their council tax or trying to reclaim money on lost gambling bets," notes Shane Hickey in *The Guardian*.

The cost-of-living crisis has caused a rise in "first-party fraud". This is where people give false information in order to make money. The most frequent incidents are individuals falsely claiming for a single person's discount on council tax and "gambling chargeback fraud, where money is claimed

back from a bank on legitimate lost bets."

Two years ago, only one in 12 people claimed to have committed first-party fraud in the previous year. But this figure has now risen to one in eight, according to fraud prevention agency Cifas.

Never be tempted by tactics such as these. "What might seem like a harmless act, or lie, can have long-lasting consequences for perpetrators, including having their bank account closed, being unable to access financial products and credit, difficulty in finding a job, and, in some cases, a criminal record," Mike Haley from Cifas told *The Guardian*.

Line up your piggy banks

When you retire, which pot should you pull your money out of first?



David Prosser
Business columnist

After a lifetime of work, many people have several different types of pensions by the time they are closing in on retirement age. They may have a defined-benefit (DB) plan, guaranteeing a certain amount of income in retirement, related to their salary when in work. They may have a defined-contribution (DC) pension, paying an income dependent on investment returns. And they are likely to have state-pension benefits, too. If you're in this position, which of these pots of savings should you cash in first?

There is no single right answer to this question. Much will depend on your individual circumstances and objectives. But one significant consideration is whether you're planning to stop work completely or to retire gradually, perhaps by reducing your hours over time.

If the latter, you will continue to have earnings and you may want to keep topping up your pension savings. In which case, the money purchase annual allowance (MPAA) may be a consideration. Once you've started drawing an income from your private pensions, the MPAA limits the further savings you can make to £10,000 a year, which may be an unwanted constraint.

If that's the case, it may be a good idea to draw on your defined benefit (DB) scheme first, while leaving your DC benefits untouched. That's because withdrawals from the former don't normally trigger the MPAA. Similarly, if you're still earning, consider whether you really need to claim your state pension benefits.

You can do so from the age of 66, but deferring your claim entitles you to a higher payment once you do start drawing the money. That could be useful if you're expecting your tax rate to fall when you do finally stop work.

Indeed, tax is an important part of this decision. You may even be able to limit your first withdrawals from your pensions to your tax-free entitlement –

you can take up to 25% of your savings as a tax-free lump sum, so if you don't need more at this stage, focus on tax efficiency.

Even if you're not planning to continue working, there is still a case for drawing on your DB benefits first. It potentially gives your DC plan longer for investment returns to drive up the income available when you do finally access this pot. You may need to take advice on your investment strategy; you will also need to think about whether you're intending to buy an annuity income with your DC pot, or to draw directly from it. But generally, the longer you can leave the money invested, the better.

Greater flexibility

One counter-argument is that once you've accessed your DB pension, there's no going back. DC schemes offer much more flexibility about how and when you can draw your benefits. You can even make ad-hoc withdrawals while leaving the money invested.

Moreover, you need to check the rules of your DC scheme carefully. There will

be a set age at which you're entitled to your pension, and taking benefits before then will mean accepting a lower income.

One final point. If your savings also include money put aside in a shelter such as an individual savings account (Isa), as well as in dedicated pension plans, think about the inheritance-tax (IHT) implications of your retirement-planning decisions.

Money left in an Isa can be passed on to your heirs but will count towards the value of your estate for IHT purposes; pensions, by contrast, can typically be passed on to heirs with no inheritance tax liability to worry about. Other things being equal, it therefore makes sense to use up Isa savings before drawing on your pension.



It often makes sense to start by cashing in defined-benefit schemes

Do expats need local pensions?

If you're moving abroad on a long-term basis, you might consider transferring your pension savings to a qualifying recognised overseas pension scheme (QROPS). This is a pension plan recognised by the UK's HM Revenue & Customs as an acceptable destination for your transfer.

The scheme enables you to keep saving in a local pension plan in your new home country – and to draw a pension when the time comes. But experts are increasingly sceptical about such transfers. There is no particular need: you can draw benefits from UK pension savings while living abroad and make contributions to overseas schemes while leaving your UK plan where it is.

Moreover, the abolition of the lifetime allowance (LTA) in the UK has removed one of the reasons why advisers recommended QROPS arrangements in the past. The allowance, which meant paying tax charges on excess savings, was tested at the point you made the transfer, but didn't apply to additional savings made once the QROPS was in place.

That proved very useful for some high earners moving overseas, but is no longer an issue. The counter-argument is that a QROPS brings simplicity. For example, when you do start drawing your pension, you may need a UK bank account to access UK scheme benefits. Overall, expatriate pension planning can get complicated – if in doubt, get professional advice.

News in brief... red tape tangles transfers

- Almost 10,000 savers trying to transfer their pension benefits have suffered unnecessary delays because of rules introduced to reduce fraud. Since 2021 defined-benefit (DB) pension schemes have been required to flag transfers of members' money to other arrangements if the move raises suspicions of a scam. The member must then show they have taken professional advice on the transfer before it proceeds. But data from stockbroker Quilter suggests many schemes may simply be flagging all such transfers, including those where there is little risk of a scam. More than 9,500 transfers have been flagged for undisclosed reasons, Quilter's research shows.

- Thousands of women who have shared part of their income-tax allowance with their husbands could face unexpected tax bills. Roughly two million couples take advantage of the marriage

allowance, which enables one spouse to sign over 10% of their personal income tax allowance to the other; women account for the vast majority of such cases. But while using the perk makes sense if the spouse is currently a non-taxpayer, the extended freeze of the level of income at which tax becomes payable means many more people with low incomes are having to pay. Rises in the state pension are amplifying the effect. Many women may thus find they face a tax bill after all.

- Are you a carer, or do you have one in your family? If so, talk to the Department of Work and Pensions about how to claim carer's credit to protect your future entitlement to state-pension benefits. Thousands of families are failing to claim this credit. And it's not only parents and grandparents missing out. Other family members taking on caring responsibilities may also claim.

Investment trusts offer compelling long-term growth on the cheap



A professional investor tells us where he'd put his money. This week: Nick Greenwood, fund manager, MIGO Opportunities Trust, highlights specialist funds

The investment-trust sector has struggled this year, with sentiment dented by a perfect storm of rapid interest-rate rises and ongoing structural changes within the broader industry. However, bouts of investor scepticism are not uncommon over the history of this sector, which is still the ideal home for specialist vehicles of relatively illiquid assets.

While we are convinced that the current clouds hovering over investment trusts will eventually clear, investors have the opportunity to gain exposure to strategies aligned to long-term thematic tailwinds at historically compelling valuations. In fact, some trusts today are trading on discounts to net asset value (NAV) not seen since the depths of the global financial crisis almost 15 years ago.

Eastern promise close to home

Georgia, a country at the intersection of Europe and Asia, is not your typical investment hotspot. However, we are intrigued by the prospects for Georgia Capital (LSE: CGEO), a private-equity group spun out of Bank of Georgia after the combined entity became too large to manage at 16% of the country's GDP. The diverse portfolio of Georgia Capital spans wine, motor insurance, education, renewable energy, water supply and a listed stake in Bank of Georgia.

We see the discount of 55% as a major mispriced opportunity, given our positive outlook on the country. For example, GDP per capita rose by 55% from 2011 to 2021. And as a result of the Russian invasion of Ukraine, many skilled Russians have moved across the border, bolstering the economy.

A diverse portfolio of renewables

Alternative investments experienced a stunning rise over the past decade, as investors looked for sources of income during the ultra-low-rate environment. But many alternatives are now grappling with the double-edged sword of rising discount rates and increased borrowing costs. This has hampered investment trusts within the renewable energy sector: all 22 listed in the UK now trading at a discount.

Despite this, the inherent value of the underlying assets remains high, presenting a unique arbitrage opportunity for discerning investors. Thanks to high construction costs in the renewable-power industry, acquirers are seeking opportunistic takeovers of more



Georgia's GDP per capita rose by 55% between 2011 and 2021

cost-effective existing assets. Against this backdrop, Aquila European Renewables (LSE: AERS) stands out.

With a diverse portfolio in solar, hydropower and wind, Aquila operates across six European power markets and offers diversification beyond UK renewables. Last year Aquila secured long-term power purchase agreements (PPAs) for two of its solar plants in Spain, providing a stable revenue stream. The trust is on a discount to NAV of 28%.

Aircraft-leasing trust gains altitude

Amedeo Air Four Plus (LSE: AA4), which manages aircraft with long-term leases to the likes of Emirates and Thai Airways, presents another attractive opportunity. Despite setbacks during Covid, the Guernsey-based specialist trust has shown notable adaptability and is on at a 66% discount to NAV.

Two catalysts are turbo-charging the fund. Firstly, its planes are virtually all back in service, which has ensured a steady revenue stream through lease payments. Secondly, delays in the production of next-generation wide-bodied planes by Boeing and Airbus have inadvertently benefited the trust. Emirates, for example, has extended leases for Amedeo's A380s until 2033, providing the trust with guaranteed cash flows for longer than initially anticipated.

“Delays in the production of wide-bodied planes has benefited Amedeo Air Four Plus”



Shooting for the moon

Online card retailer Moonpig has regained momentum and is well run



Matthew Partridge
Shares editor

During the pandemic several companies saw their share prices soar as people assumed that the world would permanently shift online, only for stocks to tank when restrictions were removed and people returned to traditional spending patterns. One company that illustrates this is the online card retailer **Moonpig** (LSE: MOON).

When it listed at the start of 2021 during a lockdown, people snapped up its shares, with prices rising by a third on the first day of trading. Yet the return to normality, combined with the effect of last year's postal strikes, ensured that the share price began to trend downwards. At one point this year it was worth barely more than a quarter of its post-flotation peak.

However, this year has seen a modest recovery, with the stock rising by more than 40% over the past six months (though it still costs less than two-thirds of the price at which it first floated). There are several reasons why this bounce should continue. Firstly, while the total number of orders fell in the year to April 2023 thanks to the strikes and cost-of-living crisis, total sales still increased because customers were spending more on each order.

What's more, particularly strong data from Mother's Day, which took place at the end of the fiscal year in late March, suggest there is still a strong appetite for buying cards online, which in turn implies that this Christmas should be particularly lucrative.

Diversifying into gifts

However, even if the pace of growth of card orders does slacken somewhat over time, the company has a strategy for maintaining growth by branching out into related areas. Last year it bought Buyagift, which specialises in selling experiences, such as helicopter flights, glamping and theatre tickets, which are then gifted to other people. Given the overlap between the people who buy such gifts and those who are looking



There is still a robust appetite for buying cards online

to buy cards, the acquisition makes sense. This acquisition should also make Moonpig less dependent on any future problems with the postal service.

Overall, Moonpig has a strong track record of growth. Sales have grown by more than 250% in just five years. While earnings haven't grown quite as rapidly, they have still nearly doubled during the same period. Moonpig also produces a high return on capital employed (a key gauge of profitability),

28%, which is always a sign of a well-managed company. Despite this, it currently trades at a more than reasonable trailing price/earnings (p/e) ratio of 17.2, a figure expected to fall to a bargain 14.7 by 2025.

The stock's fundamentals look impressive, while technical indicators also suggest that Moonpig's shares have turned a corner, as they are continuing to rise. They have gone up by nearly 25% over the past two months, and are well above both their 50-day and 200-day moving averages. I therefore suggest that you go long at the current price of 189p at £10 per 1p. I recommend that you set your stop-loss at 95p, which gives you a total downside of £900.

"An impressive performance on Mother's Day points to strong Christmas sales"

How my tips have fared

It has been another good fortnight for my long tips, with all but one of the seven appreciating. IT Services group Computacenter rose from 2,608p to 2,736 and outsourcer Mitie advanced from 101p to 106p.

Luxury brand Watches of Switzerland climbed from 569p to 624p, kitchen supplier Howden Joinery increased from 642p to 691p and recruitment agency SThree went up from 383p to 405p. The only exception was discount retailer B&M, which declined from 534p to 533p. Overall, my long tips are now making a profit of £825.

As you might expect, the rising market meant that my short tips struggled, with five out of seven going the wrong way. Electric car-charging company EVgo rose from \$2.29 to \$3.12, payroll company Paycom increased from \$158 to \$182 and air-taxi company Joby Aviation rose from \$5.96 to \$6.18.

Space-based broadband network AST SpaceMobile advanced from \$4.14 to \$4.78 while solar-panel maker Sunrun also went up from \$10.18 to \$11.93. Still, retailer GameStop fell from \$13.54 to \$12.94, while brokerage Robinhood dropped from \$9.59 to \$8.13. My short tips are making £3,718, down from £3,788.

My long and short tips are making combined profits of £4,543, so I suggest you take profits on B&M and AST SpaceMobile, which means that I now have seven long tips (Computacenter, Mitie, Watches of Switzerland, Howden Joinery, SThree, EasyJet and Moonpig), and six shorts (EVgo, Paycom, GameStop, Sunrun, Robinhood and Joby).

I suggest you raise the stop-losses on B&M to 455p (from 450p), Computacenter to 2,310p (2,300p), Mitie to 90p (85p), Watches of Switzerland to 550p (450p) and Howden to 475p (450p).

Trading techniques... the Santa rally

Children may already be compiling their Christmas lists, but traders also want a gift in the form of a "Santa Rally". When this phrase was first coined in 1972, the rally only referred to the stockmarket's performance during the final trading days between Christmas and the New Year. But in recent years the term has broadened to cover the entire month of December.

The theory is that festive cheer and holiday household spending make the markets more optimistic. Ben Laidler of eToro also thinks that outperformance in December could be due to markets

anticipating a new flow of cash from investors in January.

Whatever the reason, there does seem to be strong evidence of a December effect, especially for smaller shares. Laidler notes that over the past 50 years, the FTSE 250 mid-cap index has returned an average of 2.7%. However, other markets have done well, with the S&P 500 putting in an above-average performance of 1.7%.

Interestingly, the Hong Kong stockmarket has been the global top performer, with an increase of 3% over the last half-century, despite the fact that Chinese New Year, which takes place

between late January and late February, is the key event.

Of course, there are a few exceptions to the festive cheer. IBEX, the main Spanish index, has historically underperformed in December, with a miserly 0.6%. And even in the US and UK, traders have occasionally received a lump of coal in their stockings, with the S&P 500 finishing December lower than it began around a quarter of the time (as it did last year when it dropped by 5.9%). Still, generally December is a good month. Laidler says that global equities have returned an average of 1.8% since 1972.

The tag team battle for WWE

No one quite believed it when Vince McMahon, the undisputed king of wrestling, retired last year. He has bounced back into the ring – but seems unable to re-establish his old dominance. Jane Lewis reports

For more than 70 years, the McMahon family was the rising – and then dominant – force in professional wrestling: inextricably linked with their all-conquering World Wrestling Entertainment (WWE) empire, says Sportbible. “Few ever expected WWE to be sold,” at least in Vince McMahon’s lifetime. A genius writer of staged storylines, his private persona seemed indistinguishable from the domineering character he adopted as a wrestler in 1997.

When the real McMahon, 78, “retired” last year – following allegations that he had paid \$12m in “hush money” to silence claims of sexual misconduct – it seemed entirely in character, says Forbes. Although the reins were ostensibly handed over to his daughter Stephanie and her husband, it was dismissed as an “optics play”. Behind the scenes, McMahon’s rule continued. In January, he formally returned, leveraging his controlling stake to appoint himself and two others to the board, and booting Stephanie out, says The Hollywood Reporter.

The intention was to secure a big deal. In April, WWE stunned fans by securing a \$21bn deal with Endeavour, owner of the mixed martial arts Ultimate Fighting Championship (UFC). The plan was to combine the UFC and WWE into a new company – TKO Group Holdings – which duly floated in New York when the deal completed in September. McMahon announced he would stick around as executive chairman, but for the first time ever the clan is no longer in control.



“McMahon turned WWE wrestling into a multi-billion-dollar phenomenon”

“WWE is a business like few others,” says Bloomberg, and was rightly considered “a rare prize in media.” But how much of that appeal was down to McMahon family dynamics? Vince McMahon certainly grew up with wrestling in his blood, says CNBC. Born in Pinehurst, North Carolina in 1945, he would follow “in the footsteps of his father Vincent McMahon Sr and his grandfather Jess McMahon” – both leading promoters of professional wrestling, originally in the north-east United States.

After completing a business degree at East Carolina University in 1968, young Vince went straight into the family business, says The Sportster. In 1969, “he made his debut as a ring announcer” in his father’s World Wide Wrestling Federation (WWWF), showcasing “natural charisma and talent

for engaging the audience”. Two years later, he became a “play-by-play commentator for televised matches”. But the business only really exploded when he took control of the enterprise from his father in 1982 (the WWE rebrand came in 2002) – and he used every single razzle-dazzle trick in the book to turn a solid regional promotion into an international, multi-billion-dollar phenomenon.

The golden years end

They were golden years, says Wrestle Talk, but McMahon’s reign is over. The TKO deal with Endeavour has reduced his role to an essentially “ceremonial” one, and he recently suffered the indignity of being listed under “risks”

in TKO filings, due to “possible negative publicity”, with “potentially adverse financial and operational consequences”.

The hush-money scandal hasn’t gone away: the US financial regulator is investigating how WWE financed the cash; and, in July, the FBI served a search warrant and grand jury subpoena at McMahon’s home. No charges have yet been filed but the speculation last week, when McMahon sold off a big chunk of TKO shares, reducing his ownership still further, was that the move was intended to head off a “looming threat”, while enabling him to cash out.

“I won’t be with you, but I’ll be watching,” said McMahon in his retirement letter in 2022, notes Forbes. Given his penchant for fighting, it’s safe to say “he will always be ‘watching’ in some form or fashion, until his final day on this earth”.

You, too, can be Arnold Schwarzenegger

Arnold Schwarzenegger (“Arnie”) is now 76 and entering the “fourth act” of his life, says Hannah Jane Parkinson in The Guardian. He’s been the world’s most famous bodybuilder, a Hollywood movie star and a governor of California. Now, he is reinventing himself as a self-help guru. It all started during Covid when Arnie started putting up videos on how to cope with the challenges of the pandemic that “radiated warmth”. He presented himself as a voice of reason in the Trump years. And now, following a three-part Netflix documentary released earlier this year, he has a book out: *Be Useful: Seven Tools for Life*.

It might be a smart move financially. Schwarzenegger has already accumulated an estimated net worth of \$450m, but the self-help industry is booming, and Arnie is an “amiable instructor” with basically sound ideas. If you want to feel better about yourself, go for a walk. Do good work for others. Surround yourself with supportive people. And so on. It’s quite rare for a self-help book not to have cynics rolling their eyes, but “this one doesn’t” as it reflects the “genuine kindness and enthusiasm of its author”.

Arnie grew up in Thal in Austria under the rod of a disciplinarian policeman father who worried that his son was gay

(all those posters of oiled-up bodybuilders in his bedroom). From a young age Arnie became determined to escape small-town provincial life and make it big. To that end, after making his first plane trip in 1966 to attend the Mr. Universe competition in London, he rose to the top and completely dominated his chosen sport of bodybuilding. Having nothing more to prove in that world, he moved on to Hollywood, and his first major film, *Conan the Barbarian* (1982), made him an action star. From there it was one hit after another. An acting coach once told him to imagine how it feels to be a success, but as he recounts in an earlier memoir, to Arnie winning

was always “a given”.

His life story proves there is “no one in the world” quite like Arnie, says Nick Greene in The Washington Post. The trouble is, that makes his self-help book, premised on the idea that if he can do it anyone can, dubious. “Arnold Schwarzenegger thinks you can be Arnold, too. Results may vary.”





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A stately stay in the country

Matthew Partridge tries his hand at horse riding at Lucknam Park Hotel in Wiltshire

“Is that you, John Wayne? Is this me?” The quote from *Full Metal Jacket* rang through my head as I climbed up the steps of the mounting block and eased myself onto the back of the 17 Hands of May, the Clydesdale horse that had been selected to carry me around the 500-acre estate of Lucknam Park Hotel. Thankfully, while the pouring rain, helmet and green riding sheet I was wearing wouldn’t have been out of place in Stanley Kubrick’s film, the hour-long riding lesson wasn’t to be my own personal Vietnam – or Waterloo.

This was down to the teaching skills of my two instructors, Thea and Lucy. Thea has decades of experience of riding horses, while the enthusiasm and dedication of Lucy was clear to see. Between them they patiently took me through the various skills needed to steer the magnificent beast, cause it to halt and get it going again. The highlight was learning how to trot – a skill that involves rising up and down in time with the horse, which can be bumpy at first, but satisfying when finally mastered.

I was guiding my steed around bends and through the forest undergrowth by the end of the session. While my efforts may have amused a fawn nearby, I felt a sense of exhilaration I hadn’t felt in a long time when I finally dismounted. I had also learned a lot from Lucy and Thea about the management of the horses (which are kept in fields on the estate), with, for example, the difficulty that exists in managing relations between the horses and finding the right combination of animals to house together – much like with people, then.

The Equestrian Centre at Lucknam Park offers guests a wide range of activities, starting with private or group rides for beginners through to specialised lessons in dressage for more advanced riders. There is also a three-hour Cotswolds Explorer horse-riding package on offer, which, as the name suggests, allows the horses and their riders to explore the countryside beyond the estate.



A range of country pursuits

The five-star Lucknam Park Hotel occupies a stately home that has existed since the 18th century, when industrialist Sir Arthur Lucknam replaced the Norman farmhouse. It consists of 42 luxury rooms as well as several cottages located on the estate.

These range from cosy but gorgeous classic rooms, to the grand master rooms, which were previously used by the family as the master bedrooms. I stayed in the elegantly furnished “Geranium” – a manor room with a sweeping view of the grounds.

The horse-riding is excellent, but there

“The highlight was learning to trot – a skill which involves rising up and down with the horse”

are also plenty of other things to do for those less comfortable on horseback. Bath and

Chippenham, for instance, lie within easy reach for day trips – both just six miles away. At Lucknam Park, guests can play croquet, football and tennis. More exotic activities, such as clay pigeon shooting, falconry, archery and duck herding are also available. Those seeking peace and quiet can simply amble around the estate and admire the sculptures, which reflect the local wildlife.

Perhaps the biggest attraction of the hotel is the elegant and chic spa. Those looking to exercise may want to use the gym and 20-metre indoor pool, although I preferred to take the more leisurely option of relaxing in the heated hydrotherapy pool, which

straddles both the indoor and outdoor sections, while catching up on some reading. The spa not only contains sauna and steam rooms, but also a Japanese “salt and amethyst” rooms. Finally, there are a range of treatments available for those who just want to be pampered above all.

Michelin-starred fine dining

Lucknam Park is a great destination for foodies. The Brasserie restaurant is located next to the spa and it serves a range of tasty food throughout the day. The real treat, however, is the Restaurant Hywel Jones, which has held a Michelin star for over 15 years. The emphasis is very firmly on fine dining, as shown by the seven-course dinner that I enjoyed. This began with salmon from Loch Duart in northwest Scotland and concluded with a delicious Tulameen raspberry *feuillantine*. The hearty breakfast was similarly made up of ingredients grown and reared from family farms around the West Country.

Great riding, an outstanding spa, luxurious accommodation and award-winning food – what’s not to like?

Matthew Partridge was a guest at Lucknam Park Hotel. From £295 per night for a Classic Room, excluding breakfast; from £800 per night in a one-bedroom cottage. Visit lucknampark.co.uk



Rooms are gorgeous and cosy



Lucknam Park Hotel: an 18th-century stately home

© Lucknam Park Hotel

Lamborghini's weird creation

The Sterrato is the last word on the Huracán from the Italian carmaker – and the oddest

The Lamborghini Huracán Sterrato has its Urus sibling to thank for its existence, says Richard Lane in Autocar. Lamborghini's engineers had such a great time throwing a development car around a dirt road (*sterrato* in Italian) while working on the Lamborghini SUV that they wondered, over a team dinner, how a supercar Huracán might fare under similar conditions. So, they took a regular four-wheel drive Huracán coupé, raised it by 44mm, gave it 25% softer springs and added 35% suspension travel in the front and 25% in the rear. They also added chunkier tyres, armour plating to the undersides, a snorkel at the back and a new "Rally" mode to the set-up.

Has any of this "ruined the spirit of the original Huracán"?

Not a bit of it, says Jeremy Clarkson in The Sunday Times. "If anything, it has added even more Lamborghinishness". And you can never have too much



of that. Inside, the carpets and door linings have been removed, so "you could pretty well clean it in there with a hosepipe". But

that hasn't made the Sterrato uncomfortable. Far from it. "Because of the new suspension and the squidgy tyres, it simply glides over potholes... By far and away then, this is the most comfortable and civilised supercar I've ever driven," says Clarkson. Despite all the modifications, "it's still as fast as hell but it's gigglesome

of them all as the coupé enters its twilight years". Production is set to end in 2024 and the Huracán "is being ushered into the old folks' home kicking and screaming". The Sterrato is "the final blood-curdling howl before the door is bolted and the key casually tossed into the Adriatic". Only 900 will be made, each costing £230,000

"The Sterrato is the final blood-curdling howl before the door is bolted and the key tossed into the Adriatic"

speed... The Lambo just grips and goes."

It is "monstrously fast in a straight line", agrees James Fossdyke in the same paper. The Sterrato reaches 62 mph from standstill in 3.4 seconds, while the 5.2-litre V10 engine allows for a top speed of 161 mph. Yet, it is undeniably "the weirdest and most unbelievable Huracán

"before HMRC gets its teeth into you". It may look like it has been designed by "someone who fills old air raid shelters with tinned food and Googles alien abductions for fun". But Lamborghini's niche has always been madness and the Sterrato is the maddest of the lot.

Lamborghini.com



Wine of the week: a magnificent monastrell

2022 Tarima, Monastrell, Bodegas Volver, Alicante, Spain

(£9.99, reduced to £8.99 in a "mix six", majestic.co.uk)



Matthew Jukes
Wine columnist

In Spain, the sun-loving mourvèdre grape is called monastrell, and it is surprisingly widely planted. In France, this mighty red grape is responsible for the broad-shouldered Provençal classic Bandol and for making up the numbers in southern Rhône red blends like Châteauneuf-du-Pape, alongside grenache and syrah. The Aussies coined the term "GSM" for their own particularly lip-smacking red blends, and traditional wineries tend to use the word mataro, like they do in California, for this heady

red grape. While Spain also makes meaty reds from this evocative variety, there is a new wave of stunning, brightly-red-fruited, refreshing wines made from monastrell in Murcia, Jumilla, Yecla and, of course, Alicante. Bodegas Volver's vineyards are located at 2,000 feet above sea level, and some vines are as old as 90 years.

Tarima is a sensitively made number with the merest hint of oak adding some class. While it weighs in at 14% alcohol, it is fruit-forward and seamless. I cannot think



of a finer-value wine made from this variety on earth. Thrilling, modern and vital, it beggars belief that, for only around £9, you can pick up an eye-catching, delicious, ready-to-pour red that should please all palates.

Wine lovers ought to load up with as much as they can, because I can see this wine performing elite duties with traditional British wintry fare, daring Indian cuisine and then having a new lease of life in chilled form next summer.

Matthew Jukes is a winner of the International Wine & Spirit Competition's Communicator of the Year (MatthewJukes.com)

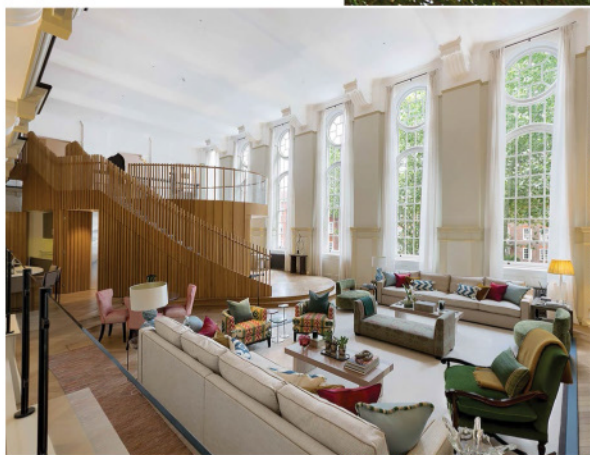
This week: properties that have featured as film locations – from an 1820s townhouse in London's Wo



▲ **Great Tangley Manor, Wonerh Common, Guildford.** This 11th-century Grade 1-listed manor with a bridge over a moat has served as a BBC film location. It has carved oak-panelled walls and magnificent open fireplaces. 8 beds, 7 baths, hall, 2 receps, 2 studies, swimming pool, stables, helicopter hangar, 9.93 acres. £7.5m Strutt & Parker 020-7591 2207.



▲ **Cobstone Mill, Ibstone, Buckinghamshire.** This Grade II-listed 19th-century smock mill served as the home of Dick Van Dyke's character Caractacus Potts in the 1968 film *Chitty Chitty Bang Bang*. It retains its original mill workings and sails, and has a double reception room, 3 beds, 3 baths, swimming pool, 36.7 acres. £9m Savills 01491-843014.



▲ **Kings Hall, The Sloane Building, London SW10.** A luxury apartment in a Grade II-listed property built in 1908 and featured in the Oscar-winning film *The Theory of Everything*. The flat has ceilings of up to 7.5 metres with full-height arched sash windows and a circular wooden stairway. 4 beds, 5 baths, open-plan kitchen/dining room, study, 2 receps, gallery, parking, 24-hour concierge, communal gardens. £12.5m Savills 020-7409 8756.



burn Walk to the windmill that appeared in the 1968 film *Chitty Chitty Bang Bang*



► **Duke's Road, London WC1H.** An 1820s Grade II-listed townhouse on Woburn Walk, London's first purpose-built pedestrianised cobbled shopping street. The ground floor featured as the setting for the dog-grooming salon in the 2021 film *Cruella*. The house retains its original sash windows and open fireplaces and has a ground-floor shop with a separate entrance that is currently laid out as a one-bedroom flat. 4 beds, 2 baths, 2 receps, dining kitchen, roof terrace, patio. £2.3m Knight Frank 0203-9109736.

► **The Plaza, The Plaza Hotel, 1 Central Park, New York.** A private corner duplex flat in the Plaza Hotel, which featured in the film *Sleepless in Seattle*. It overlooks Central Park and has wood floors and an open fireplace. 3 beds, 4 baths, library/bed 4, 2 receps, concierge, access to hotel facilities. £12.9m Brown Harris Stevens +1 212 452 6217.



► **Powerhouse, Chelsea Waterfront, London.** The former Lots Road Power Station, which featured in the 1966 film *Alfie*, starring Michael Caine, has now been converted into a luxury development comprising 260 flats in three buildings connected by bridges spanning the communal landscaped gardens. 2-4 beds with 24-hour concierge, fitness centre, and residents' club lounge. Prices start at £1.695m. Powerhouse Chelsea 020-7352 8852.



► **Hawley House, Blackwater, Surrey.** An 18th-century Grade II-listed manor surrounded by parkland gardens that has been used as a set for a major Bollywood film. It retains its original panelled walls and open fireplaces and has a Victorian-style orangery leading onto the gardens. 5 beds, 5 baths, 2 kitchens, 3 receps, library, home office, coach house two 2-bedroom apartments above, heated outdoor swimming pool, 17 acres. £5.75m Knight Frank 01344293140.

► **Lowder Mill, Haslemere, Surrey.** This Grade II-listed former mill house and mill has gardens designed by landscape architect Bunny Guinness and has featured in a Disney film, Vogue cover shoots and Rankin's *Myths, Monsters and Legends* project with Damien Hirst. It retains its beamed ceilings, exposed brickwork and large inglenook fireplaces. 4 beds, 3 baths, 3 receps, breakfast kitchen, 3-bed mill, outbuildings, tennis court, woodland, 5.6 acres. £3m Hamptons 01428-260259.



Sands shift in the art market

Higher interest rates have changed the auction game. Chris Carter reports

Pablo Picasso's *Femme à la montre* (1932) became the most expensive artwork sold at auction so far this year when it fetched \$139m with Sotheby's in New York this month. Sotheby's staff had to "[work] the phones to arouse bidders" because the painting had received an "irrevocable bid" before going under the hammer, says Zachary Small in The New York Times. That guaranteed that it would be bought if no higher bids came in, and put a floor under demand – demand that has been showing signs of slipping of late anyway.

Such "financial engineering and tight choreography have become an industry standard as higher prices collide with the headwinds of economic uncertainty". In an era of higher interest rates, investors/collectors don't need to run the risks of what is an inherently illiquid market in search of financial returns. They can stick their money in the bank and watch it grow. Meanwhile, sanctions relating to the wars in Ukraine and the Middle East have shrunk the pool of heavyweight buyers.

Demand certainly hasn't dried up. Sotheby's brought in around \$1.1bn from its



Picasso's *Femme à la montre* fetched \$139m at auction

autumn "marquee week", while Christie's managed \$864m.

Some of that may be thanks to mainland Chinese investors, who have been busy snapping up tangible assets as their government continues to grapple with a debt crisis in the property sector. Spending on paintings by high-net-worth Chinese (HNWs – those with at least \$1m in assets, besides property) this year has been 20% higher than in 2022, and nearly four times the yearly average, according to a survey from Art Basel and UBS. But overall, HNW collectors are becoming

choosier. Artworks now make up 19% on average of wealth portfolios, down from a peak of 24% last year. That, as the authors conclude, could be down to collectors taking a "more cautious approach... with a greater focus on more liquid financial assets", while more collectors are opting to buy in-person from galleries – 84% this year versus 73% in 2022, and a larger percentage than those buying at auction.

If you are the type of collector who buys and holds, market movements matter less. "Profit-driven buyers take a different approach and will look for bargains in

the market," says academic Christophe Spaenjers in the survey. That could explain why the market in lesser-known, "ultracontemporary" artists (born after 1975) continues to fizz. Works by Stefanie Heinze, Jenna Gribbon and Jade Fadojutimi "zoomed past their high estimates" at the recent Christie's sales, says Small, while others by Cy Twombly, Andy Warhol, Keith Haring and Jeff Koons failed to reach their low estimates. "They just didn't feel like once-in-a-lifetime opportunities," Benjamin Godsill, an art adviser, tells the paper.

The Holy Grail for petrolheads

Sotheby's had set out to grab the headlines ahead of its marquee week of contemporary and modern art (see left) with an offering not normally considered to fall into either category – a 1962 Ferrari 250 GTO. Last week, the vintage classic car broke the record for the most expensive Ferrari sold at auction, when it fetched \$51.7m with Sotheby's in New York. That was \$3.3m more than another 250 GTO sold on the auction block in California in 2018 (the same year a 250 GTO sold for \$70m, but that had been a private sale and so it doesn't count). However, a 1955 Mercedes 300 SLR Uhlenhaut Coupé still holds the title for the most expensive car of any stripe to be sold at auction. That one sold for a whopping €135m in Germany last year. Still, the title of the world's second-most expensive car isn't bad and the 250 GTO that sold last week was – despite the handful of other 250 GTOs that have sold in recent years – one of a kind.

The 1962 250 GTO bearing chassis number 3765 is the



only Works Scuderia Ferrari (the carmaker's racing division) to have originally been fitted with a four-litre engine. It finished second in the Nürburgring 1,000km endurance race in 1962 and it entered the 24 Hours of Le Mans race that same year. In 1963, its current engine – a developmental three-litre – was swapped in, and two years later, the 250 GTO finished as a runner-up in the challenging Sicilian Hillclimb Championship. Towards the end of the decade, the Ferrari was packed off to the US, where it spent years touring various gatherings of Ferrari enthusiasts, before it was sold to its final owner for \$500,000 in 1985. The 250 GTO, the single lot in last week's sale, was, according to the auction house, "the Holy Grail of the sports-car pantheon".

Auctions

Going... Christie's in Hong Kong is gearing up for its Magnificent Jewels sale this week. The star lot is The Pink Supreme – a fancy intense pink cushion brilliant-cut 15.48-carat diamond that has been set into a gold ring with diamonds. Grading agency the Gemological Institute of America (GIA) has certified The Pink Supreme as internally flawless for clarity. Pink diamonds are among the rarest of coloured diamonds and The Pink Supreme is expected to sell for up to HK\$100m (£10.3m). Other gemstone rings appearing include a rectangular emerald of 17.05 carats with an upper estimate of HK\$25m (£2.6m) and a rare 5.03-carat oval-cut ruby for HK\$13.5m (£1.4m).



Gone... Earlier this month, Christie's sold the largest internally flawless fancy vivid blue diamond (pictured) to ever appear at an auction at its Magnificent Jewels sale in Geneva. It was only the fourth such diamond to go under the hammer in the auction house's 250-year history. The diamond, known as the Bleu Royal, has been set into a ring with white diamonds and it weighs a huge 17.61 carats. It became the most expensive jewel sold at auction this year, when it fetched CHF39.5m (£35.8m) after seven minutes of bidding. In total, the sale brought in CHF69.9m (£63.3m), with other highlights including a 8.77-carat fancy intense pink diamond, which sold for CHF4.6m (£4.2m).

Bridge by Andrew Robson

Argentinian Falsecard

West led his singleton Queen of Hearts v Six Diamonds and declarer won the Ace. The basic plan was clear: play the Ace-King of Trumps, then, assuming both follow but no Queen has appeared, begin Clubs. All of dummy's Hearts can be discarded on the Ace-King-Knave of Clubs, and, assuming a four-three Club split (making the long Club good), the Heart loser can be ruffed with dummy's remaining Trump. All the defence score is their master Trump.

Dealer South

Neither side vulnerable

♠ K10765	♠ Q9432	♠ J8
♥ Q	♥ J983	♥ K107654
♦ 965	♦ K83	♦ Q10
♣ 10872	♣ Q	♣ 954

	N	
W		E
	S	

♠ A	♠ A
♥ A2	♥ A2
♦ AJ742	♦ AJ742
♣ AKJ63	♣ AKJ63

The bidding

South	West	North	East
1♦*	pass	1♠	pass
3♣	pass	3♦	pass
4♣	pass	5♦**	pass
6♦	end		

* Two Diamonds would be weak.

** Jumping to show the fitting minor-suit cards and proper Diamond support, as opposed to reluctant preference.

The Argentinian East had other ideas. When, at trick two, declarer led a Trump to dummy's King, he dropped the Queen (key play). Taking the card at face value, declarer switched plans. After cashing the Queen of Clubs, declarer crossed to the Ace of Spades and began playing top Clubs throwing dummy's Hearts. He could not afford a second Trump in case West had three Clubs, whereby he could ruff the fourth Club with his third Trump, then lead his fourth Trump, removing dummy's last Trump.

A nasty shock was in store. East ruffed the fourth Club with a Trump he was not supposed to have and, although dummy's Hearts had now gone, the lead from East of a second Heart saw West ruff in front of dummy with the nine. Down one and a red-faced (many-time World Champion) declarer.

For Andrew's four daily BridgeCasts, go to andrewrobsonbridgecast.com

Sudoku 1183

1		4				6		
			1		8			
		7		6	2			
	9				1			6
4	1		6		5		8	7
5			9				2	
			3	2		7		
			4		6			
		6				2		5

To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

8	2	9	1	5	4	3	6	7
3	6	5	2	8	7	4	1	9
4	1	7	9	6	3	5	2	8
5	9	6	7	3	8	1	4	2
2	3	1	5	4	9	8	7	6
7	8	4	6	1	2	9	5	3
9	7	8	4	2	5	6	3	1
6	4	2	3	9	1	7	8	5
1	5	3	8	7	6	2	9	4

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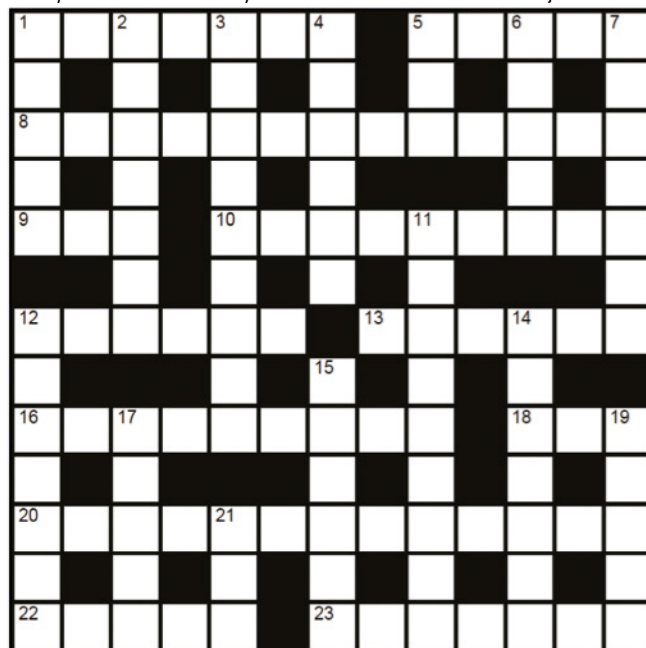
moneyweek.com

Tim Moorey's Quick Crossword No. 1183

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 4 Dec 2023. By post: send to MoneyWeek's Quick Crossword No.1183, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1183 in the subject field.



TAYLOR'S
PORT



Across clues are mildly cryptic whereas down clues are straightforward

ACROSS

- Rustic a hit with family (7)
- Publicity for openings in Majestic and Odeon? (5)
- Misdirect a soldier and there could be this (3,2,4,4)
- Clubs behind party for medic (3)
- Hear Clive working with French singer (9)
- Liberal in publicity makes it up (2-4)
- Oriental losing his head back at sea (6)
- National Trust pro rata ground (4,5)
- Highest point that can be blown (3)
- Wreck entered marina in inland sea (13)
- Remain around river not in the right place (5)
- Cuts classes one's heard (7)

DOWN

- Daily food (5)
- Enchanting (7)
- Hooded killer (4,5)
- Port city on the Loire (6)
- Fathers (3)
- Striped African mammal of the giraffe family (5)
- Go on too long (7)
- Large dogs (9)
- Occasionally (2,5)
- Not moderate (in opinions) (7)
- Beer container (6)
- Deliveroo worker? (5)
- Rubbish (5)
- Rugby score (3)

Name

Address

email

Solutions to 1181

Across 1 Site homophone 3 Inedible anagram 9 Masking M + asking 10 Colon two definitions 11 Heartstrings anagram of night arrests 14 Now nowt less t 16 Felon hidden 17 Ash a sh 18 Orchestra pit anagram of RPO organised 21 Sting two definitions 22 Press-up press + up 23 Rarebits (Welsh) rare bits 24 Arch march less m. **Down** 1 Symphony 2 Tesla 4 Nag 5 Dictionaries 6 Bologna 7 Etna 8 Gift of the gab 12 Tolls 13 Chutzpah 15 Warrior 19 Poser 20 Tsar 22 Pet.

The winner of MoneyWeek Quick Crossword No.1181 is: Stewart MacGlashan of Perthshire

Tim Moorey is author of *How To Crack Cryptic Crosswords*, published by HarperCollins, and runs crossword workshops (timmoorey.com)

Taylor's is one of the oldest of the founding port houses, family run and entirely dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with goat's cheese or a chocolate fondant.



The decline of the West

It's starting to look as if Oswald Spengler was right all along



China's maglev train is a sign of the times



Bill Bonner
Columnist

Our capital allocation model told us to sell out of US stocks nearly 30 years ago. The model is “dumb”, in the sense that it tells us nothing about the state of the world, the future of interest rates, or anything else. It simply lets us know when stocks are expensive in terms of gold. That helps us avoid big losses by buying stocks when you can get the 30 Dow for less than five ounces of gold and selling them when they go over 15 ounces.

The model told us to favour gold (over stocks) back in 1996. We didn't know it at the time, but it might also have been signalling something much bigger. An all-time high for US stocks came in August of 1999, with the Dow stocks trading at 42 ounces of gold. It now looks as though that was not just a high for US equities, but for the power, wealth and prestige of Western civilisation too. The US budget was more or less in balance. US debt was still manageable. Except for its involvement in Kosovo, the US was at peace. Since then, things have gone downhill.

Consider technology and firepower. The West is losing its edge over China. China's defence agency is spending 1% to 2% of its budget on artificial intelligence (AI); the US is spending

somewhere between 0.1% and 0.2%, says Defenseone.com. It was superior firepower that allowed the West to conquer most of the planet. How long before China has that edge?

But gross spending on weaponry isn't enough. Au contraire, it gets in the way. The firepower industry makes its money by selling yesterday's weapons. The more you spend, the more out-of-date hardware you have. That's why a defence agency that is young and lean is often more effective than a richer, more established military bureaucracy. China, with less of an heirloom firepower industry

“The year 1999 marked a high not just for stocks, but for Western civilisation”

to support, is able to devote more of its defence budget to new technology – including AI and drones. In the next war, that could be decisive. “Advances in autonomous technologies will democratise access to core naval capabilities, so that nations and groups without sizeable navies can fast become contenders at sea,” says Warontherocks.com. With no World War II-style navy to support, China is able to focus on newer, more modern, seaborne firepower.

A similar phenomenon runs throughout much of the

whole Chinese miracle. With few legacy industries in 1979, when China took the “capitalist road”, it had to create new ones. With few old factories, it got to build new ones. With only a busted shell of infrastructure remaining, after the debacles of the Great Leap Forward and the Cultural Revolution, China had to build new trains, planes, automobiles, highways, railways and freight ports.

That is why China has a whole network of high-speed trains – including a maglev train in Shanghai that goes 373 mph. They're testing another one that goes more than 500 mph – very different from America's lumbering Amtrak trains.

The US lead in communication technologies is also under threat. China recently launched the world's fastest internet, with 1.2 terabit per second links, years ahead of forecasts, says the South China Morning Post. Most of the world's internet backbone networks operate at just 100 gigabits per second. The US recently transitioned to its fifth-generation Internet2 at 400 gigabits per second.

Not all of US technology is as decrepit as Amtrak, of course. But the West's most important institutions and competitive advantages appear to be failing. The West is, as Oswald Spengler predicted more than 100 years ago, in decline.

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