City divided over Lagarde’s ECB role as economists question her qualifications

City economists digested the news of Christine Lagarde’s nomination as European Central Bank (ECB) president yesterday, with some leaders surprised by the move, while others welcomed her expected dovish stance.

Lagarde has “played more political than policy-related roles in her career”, Deutsche Bank research strategist Jim Reid said that her relative inexperience” with the ECB’s complex policies meant “there is a credibility risk, especially if and when things get more complicated economically”.

However, Lagarde’s support for unconventional measures pursued by Draghi, some of which are credited with saving the Eurozone after 2012, has reassured markets. Franklin Templeton’s David Zahn said that “after 2012, have reassured markets. Lagarde has been head of the IMF since 2011, and was formerly French finance minister. Yet she has no direct experience of central banking and faced criticism in debt-burdened Mediterranean states for the IMF’s actions during the Eurozone crisis.

Andrea Iannelli, investment director at Fidelity, said Lagarde has “played more political than policy-related roles in her career”.

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© A DEEPER DIVE: P12
Sainsbury’s Coupe yet to find a new song to sing

T HAS been several months since the Mike Coupe dream of a merger with Asda was dealt a lethal blow by Britain’s competition watchdog, but how much has the embattled chief executive changed his tune? Not enough, it would seem, to quell anxiety among investors. Shares in the supermarket giant edged down a further 0.53 per cent last night as the City digested the news of a third consecutive quarterly drop in sales. Intense competition, tough comparatives, weak consumer confidence and political uncertainty; by now, the City understands the problems facing Sainsbury’s. The trouble is that there still seems to be no clarity as to what the solutions are. If the botched tie-up with Asda was Plan A, then what could be the board’s Plan B?

Coupé and his directors have vowed to cut costs, slash debt and refinance 400 stores, but their pledges feel somewhat underwhelming in contrast to their retail rivals. Take Tesco boss Dave Lewis, for example, who used the firm’s capital markets day last month to reveal potential plans for “Tesco finest” stores, plant-based ready meals and more investment in its Clubcard loyalty scheme. Lewis pulled the rabbit out of the hat, and if Coupe is to have any chance of winning back shareholder confidence, he must show the same energy and readiness to protect the firm’s waning market share.

The distinct lack of any real recovery plan is made all-the-more controversial by coming at a time when Coupe cashes in on a hefty £3.8m pay cheque. Investors are unlikely to be happy that the firm’s boss has bagged himself a seven per cent pay rise in the same year that Sainsbury’s shares have plunged to a near 20-year low.

Investors are unlikely to be happy that the firm’s boss has bagged himself a seven per cent pay rise in the same year that Sainsbury’s shares have plunged to a near 20-year low. On the phone yesterday, Coupe remained resilient, telling journalists that his pay is set by a remuneration committee, and his performance is matched against targets that determine what he earns. But it makes one wonder; if Coupe is getting a pay rise after the turmoil of the past year, what on earth are the targets that Sainsbury’s is setting?

If the botched tie-up with Asda was Plan A, then what could be Plan B?

HARRY ROBERTSON
@henrygranbertson
THE UK economy shrank between April and June according to a closely-watched survey published yesterday, while separate data from across the pond painted a similarly bleak picture.

The part of IHS Markit’s purchasing managers’ index (PMI) relating to services – Britain’s dominant sector – fell to 50.1 in June from 51 in May. “The near-stagnation of the services sector in June is one of the worst performances seen over the past decade and comes on the heels of steep declines in both manufacturing and construction,” said Chris Williamson, chief business economist at IHS Markit. “The June reading rounds off a second quarter for which the surveys point to a 0.1 per cent contraction of GDP,” he added.

The data added to growing signs that the UK economy is slowing due to ongoing political uncertainty and global headwinds. Howard Archer, chief economic adviser to the EY Item Club, said: “The June set of purchasing managers’ surveys fuel our belief that the economy likely contracted 0.2 per cent quarter-on-quarter in the second quarter.”

Yesterday’s PMI score marks the continuation of a period of weakness for Britain’s service sector, which accounts for over 70 per cent of the UK economy.

March saw a contraction, and the PMI has not risen above 51 since.

The survey showed a decline in new business, while volumes of new work have now fallen for five of the past six months. Managers reported a lack of new work to replace completed projects. Meanwhile, a similar survey in the US revealed a sharp drop in American service sector growth. The Institute for Supply Management (ISM) said its manufacturing activity index fell to 53.1 in June, the lowest reading since July 2017, from 56.9 in May.

The ISM cited uncertainty around US President Donald Trump’s trade war with China and other countries as one reason behind the growth dip.

The dispute over tariffs has also broadened America’s trade gap, it was revealed yesterday. The US trade deficit jumped to a five-month high in May as imports of goods increased – likely as businesses restocked ahead of a rise in tariffs on Chinese merchandise – overshadowing a broad rise in exports.

The trade deficit surged 8.4 per cent to $55.5bn (€44.1bn). Data for April was revised higher to show the trade gap widening to $51.2bn instead of the previously reported $50.8bn.

OLD MONEY Fleet Street’s C. Hoare & Co opens its doors for a rare sneak peek inside the UK’s oldest surviving family-run bank

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C. HOARE & Co, the UK’s oldest surviving family bank, offered a rare glimpse behind its Fleet Street doors. Among the treasures inside is the original Golden Bottle, which marked the location of the bank before street numbers were invented. Richard Hoare started the City firm in 1672 and it has dealt with the affairs of diarist Samuel Pepys, poet Lord Byron and novelist Jane Austen.

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Santander to be hit by banker’s €100m lawsuit

SEBASTIAN McCARTHY

SANTANDER is said to have landed with a €100m (£90m) legal challenge from Andrea Orcel, the investment banker who was denied the role of chief executive just four months after being offered the post.

Orcel is understood to be filing a lawsuit claiming the Spanish multinational bank violated a contract between the two sides.

Sources familiar with the matter told Reuters that Santander will have about 20 days to respond to a civil lawsuit that 56-year-old Orcel plans to file in Madrid.

The Italian banker is demanding he is given back his role of chief executive just four months after being offered the post.

He was named to the post in September, leaving UBS to take a required six-month leave before starting her next chapter.

However, a disagreement over pay led to Santander withdrawing its offer several months later, raising questions about the Spanish bank’s hiring process.

“It has now become clear that the cost to Santander of compensating Mr Orcel for the deferred awards he has earned over the past seven years, and other benefits previously awarded to him, would be a sum significantly above the board’s original expectations at the time of the appointment,” the Spanish bank said at the time.

Orcel, who carved out a reputation as a star investment banker at UBS, has since reportedly rejected an advisory role at the bank.

Santander and law firm Decarlos Lagarde, which represents Orcel, declined to comment.

Sainsbury’s sales drop in tough market as boss issues warning on Brexit date

JOE CURTIS

SAINSBURY’S sales fell in its latest quarter, the supermarket revealed yesterday as boss Mike Coupe warned against a no-deal Brexit.

Like-for-like sales slipped 1.6 per cent year on year for the four months to the end of June while retail sales dropped 1.2 per cent, piling pressure on Coupe after the supermarket’s proposed Asda merger was blocked.

Meanwhile, clothing revenue declined 4.5 per cent compared with the same period last year and general merchandise sales also faltered, dipping 4.1 per cent.

Grocery sales also fell 0.5 per cent.

“We continue to adapt our business to changing shopping habits and made good progress in a challenging market,” Coupe said.

“In a tough trading environment, we gained market share in key general merchandise categories and in clothing, where we are now the UK’s fifth largest retailer by volume.”

However, Sainsbury’s warned that the merchandise and clothing markets “remain challenging”.

Coupe also said the consumer outlook is uncertain ahead of the UK’s Christmas preparation.

“You couldn’t choose a worse date,” he said.

Netflix picks iconic Shepperton Studios for UK production hub

JAMES WARRINGTON

NETFLIX has signed a deal to set up a production hub in the world-famous Shepperton Studios, marking a major expansion of the streaming giant’s UK presence.

Netflix will take over 425,000 square feet of space in the Surrey studio complex, which boasts a rich history of productions, including A Clockwork Orange and Gladiator.

The deal, first reported by Sky News, was secured with Shepperton owner Pinewood Group.

Netflix’s new hub, due to open in October, will boast 14 sound stages, workshops and office space.

The blockbuster deal has been hailed as a huge boost for the UK’s entertainment industry.

Asda and Just Eat launch grocery delivery service

JESS CLARK

ASDA is partnering with Just Eat to launch a grocery delivery service that will enable customers to order products to their door in just half an hour.

The express grocery delivery trial will initially operate from two stores and will apply to 100 product lines, the supermarket revealed at an event in London yesterday.

The grocer is also planning to roll out a pizza delivery service to 50 stores following a successful trial in 2018.

Chief executive Roger Burnley said: “This project demonstrated how partnering with complementary brands can enhance our offer to customers, as a result I am delighted to confirm that we’re extending our work with Just Eat to trial an express grocery delivery service from two stores.”

Burnley also said yesterday the timescale for a possible stock market listing of Asda, by its US parent Walmart, is two to three years, following a blocked merger with Sainsbury’s.

Take a closer look at how we design energy efficient spaces for scientists of the future

wspforthefuture.co.uk

London Climate Action Week 1-8 July
REAL estate giant CBRE is set to buy housebuilder Telford Homes as it plans to cash in on the UK’s growing build-to-rent (BTR) market.

The US property giant has reached an all-cash agreement to buy Telford for roughly 350p per share in cash, representing an 11.1 per cent premium on Telford’s closing price on Tuesday and valuing the deal at £267m.

Shares in Telford, which is listed on London’s Alternative Investment Market (Aim), closed up almost 14 per cent last night.

Under the leadership of Jon Di-Stefano, Telford has been focusing more on the BTR market as part of a strategy to offset waning house sales in the capital.

However, margins have been hit by its direction away from traditional private house sales and into the rental market.

Pre-tax profit plunged 13 per cent to £40.1m for the year to the end of March, as the group had warned earlier this year, with steeper discounting London builder Telford Homes bought by CBRE and a Brexit-led slowdown in the property market driving the drop.

In recent months, Telford has signed a number of investment partnerships to help increase its BTR pipeline in the capital.

Telford recommended yesterday that shareholders vote in favour of the deal with CBRE.

The company said that its directors considered the terms of the deal “to be fair and reasonable”.

CBRE, which is listed on the New York Stock Exchange, said Telford will become a part of its Trammell Crow Company.

In a statement yesterday Di-Stefano said: “Being part of Trammell Crow Company will allow Telford Homes to enhance its growth in the build to rent/multi-family market in London.

“Our management team have found that Trammell Crow Company is aligned with both our culture and our current strategy and its platform will give Telford Homes access to greater resources, improved technology and wide-ranging expertise.”

The deal is set to come into effect during the third quarter of 2019.

EU PARLIAMENT
European Union elects Italian social democrat as latest president

The EUROPEAN Parliament named an Italian social democrat as its new president yesterday to complete a raft of new appointments to fill the highest-ranking roles in the EU. David Sassoli beat German, Spanish and Czech candidates to the role.

London builder Telford Homes bought by CBRE

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Purplebricks quits US after two years following Australian exit

ONLINE estate agent Purplebricks yesterday confirmed it is pulling out of the US just two years after launch. The decision to quit the US market comes two months after Purplebricks shuttered its Australian business.

In its full-year results, the property company said the two businesses had stacked up a £52.9m operating loss. Overall the firm reported its loss before tax had shot up to £56m, from £29.2m a year earlier.

“Without a proper grasp of the new markets they were entering, and a downturn in Australia’s domestic housing market, the entrepreneur’s dream has quickly turned into a nightmare,” said Julie Palmer, a partner at Begbies Traynor.

Revenue grew 55 per cent over the year to £136.5m in the year ending 30 April. Gross profit, meanwhile, increased 61 per cent to £79.9m. The firm held £62.8m in cash at the end of the year, down by £59m.
Vodafone has switched on its 5G network in seven cities across the UK, unveiling a range of new plans in a bid to attract business customers.

In a bid to stand out, Vodafone has unveiled a string of business-focused plans as it seeks to stake its claim as a leader in the corporate market. Under the firm’s new business unlimited plans, customers will be able to access unlimited data and 5G for the same price as 4G. The new schemes will initially be available only to small and medium-sized business customers, but the firm plans to expand the portfolio to larger organisations in the coming months.

Speaking at a launch event in London yesterday, Vodafone UK business director Anne Sheehan said: “5G is absolutely game-changing for businesses. We’re going to do absolutely everything we can to help businesses get their hands on 5G.”

Earlier this year, Vodafone revealed it would go ahead with plans to use equipment made by controversial Chinese tech firm Huawei in non-core parts of its network. The US has moved to ban Huawei, but it is not yet clear whether the government will formally place restrictions on the Chinese firm.

Vodafone also unveiled new plans for consumers and said it will become the first provider to offer 5G roaming in four European cities this summer.

The launch comes at a challenging time for the FTSE 100 firm, which has slashed its dividend due to hefty costs linked to 5G investment. Telecoms analyst Paolo Pescatore said: “This should appease investors, but the consumer business model for 5G is still unproven and further investment is needed to rollout costly 5G networks.”

Vodafone customers with 5G-enabled phones will now be able to access the high-speed network in London, Birmingham, Bristol, Cardiff, Glasgow, Manchester and Liverpool.

JD Sports on track to meet profit forecasts after athleisure boost

SPORTSWEAR retailer JD Sports struck a confident tone in the City yesterday as it claimed it was on track to meet profit forecasts. Shares in the high street brand closed almost three per cent up yesterday after the group said it expected to deliver headline pre-tax profit ahead of its full-year results next month.

Buoyed by the increasing popularity of athleisure, the leading trainer and sportswear firm has also been ramping up its US footprint, recently opening its sixth JD store across the pond. At the firm’s annual general meeting yesterday afternoon, more than 30 per cent of shareholder votes were against JD Sport’s remuneration report.

The board announced that it would carry out a review of its corporate governance practices following the vote, which will engage with shareholders on issues including executive pay.

Watchdog launches probe into tech giants over ad market dominance

THE COMPETITION watchdog has launched an inquiry into major tech firms amid concerns over their dominance in the digital ad market. The Competition and Markets Authority (CMA) has launched a market study into online platforms such as Facebook and Google, which are funded almost entirely by digital advertising revenues.

The watchdog said it will consider the monopoly power of these firms, the way they collect and use data, and whether there is enough competition in the market.

The inquiry comes after chancellor Philip Hammond called for greater regulation of the digital ad sector. An independent review conducted earlier this year by former Barack Obama adviser Jason Furman raised concerns about the dominance of tech giants and warned the market suffered from a lack of transparency.

“The market study will help us further lift the lid on how major online platforms work, especially how they collect and use personal data, how they monetise their content through digital advertising, and what this means for competition,” said CMA chief executive Andrea Coscelli.
IN BRIEF

BREXIT SENDS LOGISTICS OPTIMISM TO RECORD LOW
Optimism in the logistics sector has plummeted to record lows as the industry battles Brexit fears. According to the Logistics Confidence Index compiled by Barclays and BDO, the industry has reported “extreme pessimism” for the first time since records began in 2012. The index showed an overall reading of 49.7, dipping below the 50 mark, which indicates that the sector is more pessimistic than optimistic about the state of the market. Increasingly challenging business conditions drove the drop in confidence, with many respondents to the survey citing Brexit concerns as a major issue. Almost half of businesses had made lower levels of investment or delayed decisions since the 2016 referendum.

INTERNET REGULATION WILL ‘FALL SHORT’ FOR BUSINESS
Government plans to regulate tech firms will not do enough to secure the UK’s status as a hub for digital companies, businesses have warned. The CBI said proposals laid out in a recent white paper would not meet the government’s ambition to create world-leading regulation. It said while new regulation was vital for rebuilding trust, further clarification was needed. The CBI added a duty of care for tech giants should be focused on illegal harms, while plans to address legal but harmful content needed revision. It argued the new regulator should be embedded in Ofcom and needed to be funded by both government and industry. CBI director general Carolyn Fairbairn warned poor regulation could dampen investment.

ADVERTISERS SET TO RAMP UP SPEND IN AUDIO FORMATS
UK advertisers are set to ramp up their spend on audio formats in the coming years amid a surge in popularity of podcasts and digital radio. Roughly 85 per cent of advertisers will increase their investment in digital audio over the next 12 months, according to figures from media group Global. The report, which surveyed executives at top media agencies and UK brand owners, showed 78 per cent of advertisers plan to spend more across music and digital radio. An increasing number of brands have been tuning to audio in a bid to cash in on the growing numbers of podcast listeners and a renewed interest in digital radio. Three-quarters of respondents said they will increase their investment in podcasts.

OUTSOURCER Serco has been hit with a £19.2m fine from the Serious Fraud Office (SFO) after it overcharged the government for a contract. The company will also cover the SFO’s £3.7m costs. It has already paid back £76m to the Ministry of Justice in a settlement in 2013.

The firm misled the Ministry of Justice over its profits from a contract to electronically tag offenders after parole. As the scandal broke in 2013, Serco stopped bidding for contracts to supervise prisoners on their release. “Serco Geografix engaged in a concerted effort to lie to the Ministry of Justice in order to profit unlawfully at the expense of UK taxpayers,” said SFO director Lisa Osofsky yesterday.

The agreement between the SFO and Serco is still subject to approval in court today. Serco stressed that all members of its board and executive management have since left the company. Serco chief executive Rupert Soames said that those now in charge “are mortified, embarrassed and angry”, about the fraud. “Serco apologised unreservedly at the time, and we do so again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again… The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and which we conduct our affairs, have again…”
While stocks last. Subject to availability. Selected stores. Excludes ROI & NI. Packaging, sizes & measurements may vary. Decorative items not included. Prices correct at time of going to print & valid for a limited period only. Stella Artois, 20x284ml, 4.8% vol., £9.99, £1.76/L, Budweiser, 20x300ml, 4.5% vol., £9.99, £1.67/L, Diet Pepsi, 24x330ml, £4.99, 63p/L.

lidl.co.uk/25yearsyoung
Deutsche Bank shake-up could cost up to £5bn

SEBASTIAN MCCARTHY
@SebMcCarthy

THE COST of a radical shake-up at Deutsche Bank could reportedly reach €5.6bn (£5bn), as the German lender presses ahead with a sweeping turnaround plan that is expected to hit its investment banking division.

A vast overhaul of the business is likely to cost several billion euros, a source told Reuters yesterday, amid speculation that the firm looks poised to axe between 15,000 and 20,000 jobs as part of a revamp.

Fears of cuts come several months after merger talks between Deutsche Bank and German rival Commerzbank collapsed.

A tie-up between the two sides would have created the second largest bank in Europe. However, after six weeks of negotiations, the potential deal collapsed, with both firms blaming the failure on the risks of doing a deal as well as major restructuring costs and capital demands.

Chief executive Christian Sewing, who replaced John Cryan as boss in April last year, has embarked on a major cost-cutting agenda since taking the reins at the firm.

"Sewing really wants to move the needle," a person familiar with the plans told Reuters.

In a statement Deutsche Bank said: "As we said at the [annual general meeting] on 23 May, Deutsche Bank is working on measures to accelerate its transformation so as to improve its sustainable profitability. We stated that we would update all stakeholders if and when required."

Last month, Deutsche Bank, which currently employs more than 90,000 people, was also dealt a fresh blow after the New York Times reported that federal authorities were investigating whether the company had complied with laws that are meant to stop money laundering and other crimes.

Record car deliveries accelerates Tesla share price after slump

JESS CLARK
@jclarkjourno

SHARES in Tesla, the electric car company founded by tech billionaire Elon Musk, rose more than seven per cent yesterday after the firm announced it had made record deliveries in the second quarter.

The stock held on to gains it made in after-hours trading following Tuesday’s announcement that the Silicon Valley firm delivered 95,200 cars, sending shares up as much as 7.6 per cent to $239.68 yesterday.

Analysts had previously raised concerns that demand for the cars had slumped and over recent delivery issues. In the first quarter deliveries fell by 31 per cent.

Huawei is still blacklisted in US, staff told

JAMES WARRINGTON
@j_a_warrington

A TOP US government official has reportedly told staff in the Department of Commerce that Huawei should still be treated as blacklisted, despite an apparent easing in tensions.

In a surprise move, US President Donald Trump last week rowed back on previous measures by saying American companies would be allowed to trade with the embattled Chinese tech firm.

The concession, made following trade talks with Chinese President Xi Jinping, has been welcomed by companies in Huawei’s supply chain.

In an email to employees, seen by Reuters, deputy director of the Office for Expert Enforcement John Sonderman said Huawei remained on a US trade blacklist.

Sonderman added that any further guidance from the commerce department’s Bureau of Industry and Security should also be taken into account when evaluating licence requests from firms looking to sell to Huawei.

It is unclear when the commerce department will provide additional guidance.
25% Off All Wine when you buy any 6 or more bottles
Max 24 bottles

In store 4–10 July

Excludes fortified wines, offered online from 24.06.2019 to 07.07.2019. Max 24 bottles per customer. Discount applied to the value of wine only and not total value of purchase. Subject to availability. Selected stores. Excludes ROI & NI. Packaging, sizes & measurements may vary. Decorative items not included.
drinkawars.co.uk For details.
Urban miner Ferrexpo has appointed a new auditor after Deloitte quit over alleged wrongdoing.

The Ukrainian firm is part of Baker Tilly International, which is one of the top 10 audit networks in the world, which has significant audit capability in Ukraine having operated there since 1999.

Nouriel Roubini – nicknamed Dr Doom for his dire forecasts – said that cryptocurrencies will be consigned to the Museum of Failed Cots.

Ferrexpo’s board concluded that Kostyantyn Zhevago, the billionaire chief executive and majority owner of Ferrexpo, did not control Blooming Land.

Deloitte said it was unable to reach the previous condition. It also claimed the Ferrexpo board had delayed an investigation into Blooming Land’s behaviour.

The payments have been estimated at around $110m (£88m) since 2013. The FTSE 250 company’s shares have recovered since dropping nearly 30 per cent on Deloitte’s resignation.

The firm’s share price closed 1.1 per cent lower yesterday. The board said it “looks forward to working with MHA MacIntyre Hudson and Baker Tilly International, one of the top 10 audit networks in the world, which has significant audit capability in Ukraine having operated there since 1999.”

Iran to increase uranium enrichment on Sunday

Iran will ramp up uranium enrichment this Sunday, breaking the terms of the deal it signed four years ago with the US and five other countries.

President Hassan Rouhani said yesterday that Iran will enrich “whatever amount we feel like” above the limit set in the 2015 nuclear deal.

Earlier this week, the country exceeded the stockpiles of low-enriched uranium it was allowed under the deal.

The move came after US President Donald Trump broke his end of the bargain, re-imposing sanctions on Iran.

The Trump administration hoped to bring Iran back to the table to renegotiate the deal.

However, Rouhani said his government’s plans would be irreversible.

“All of our actions can be returned to the previous condition within one hour, why are you worried?” he said.

The Iranian nuclear deal was signed by Trump’s predecessor Barack Obama. However, Trump pledged to withdraw from the agreement during his election campaign.

The Islamic Republic’s President also threatened to switch on a heavy water reactor that was decommissioned in 2016.

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“From [7 July] onward with the Arab reactor, if you don’t operate according to the programme and time frame of all the commitments you’ve given us, we will return the Arak reactor to its previous condition,” Rouhani said.

However, the Iranian President said that if the deal’s other signatories – the UK, France, Germany, Russia and China – honoured it, Iran would reduce its enriched uranium stockpile.

Iranian crude oil exports have dropped to around 300,000 barrels per day in June, according to reports.

That is down from 2.5m barrels before Trump ripped up the deal and imposed sanctions.

City watchdog threatens ban on crypto trade

THE FINANCIAL Conduct Authority (FCA) yesterday proposed a ban on selling derivatives based on bitcoin to retail customers.

The city watchdog said that cryptoassets, including bitcoin, have extremely volatile prices. It thinks such products are “ill suited to retail consumers who cannot reliably assess the value and risks of the underlying assets.”

Meanwhile, the FCA said that the secondary market for cryptoassets is prone to “market abuse and financial crime”.

It warned that retail customers have also been “misleading” about cryptocurrencies and their assets. “Most consumers cannot reliably value derivatives based on unregulated cryptoassets,” said Christopher Woolard, executive director of strategy and competition at the FCA.

Turkish delight after inflation falls to its lowest level in a year

TURKEY’S consumer inflation fell to its lowest level in a year in June thanks to a high-socalled base effect and a drop in food prices.

This could potentially pave the way for the country’s first interest rate cut since last year’s currency crisis.

The consumer price index fell to 13.7 per cent year-on-year; official data showed, almost matching a Reuters poll forecast of 13.74 per cent and down from 18.71 per cent in the previous month. Month-on-month, inflation stood at 0.03 per cent in June, slightly less than a poll forecast of 0.05 per cent.

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AMIR KHAN
IN CONVERSATION WITH FRANK DALLERES, SPORTS EDITOR, CITY A.M

GUEST SPEAKERS:
ALEXANDER GRACIAN
RESOLUTE INVESTMENTS
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HECTOR MCNEIL
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THE RIGHT TIME FOR A NOVICE?

Harry Robertson takes the City’s temperature on the European Central Bank’s newest president

AFTER three long days of high-level trading in Brussels, EU member state leaders on Tuesday plumped for Christine Lagarde to helm the at the hugely powerful European Central Bank (ECB).

The decision took many pundits by surprise. Of the names touted to take over from Mario Draghi, Lagarde’s was far down the list – below ECB board member Benoît Coeuré and president Jean-Claude Juncker’s choice, Jens Weidmann, among others.

Lagarde’s CV is impressive. A lawyer by training, she has led the international Monetary Fund (IMF) since 2011, and before that was finance minister of France. As a supporter of Draghi’s unconventional approach to monetary policy, she is set to bring continuity to the ECB.

Yet her lack of central banking experience has raised eyebrows in the City as it prepares to wave goodbye to the much-loved Draghi. Furthermore, her past as a politician and controversial role in the Eurozone crisis could undermine credibility in the independent ECB, economists warn.

“She brings no experience in the formation of monetary policy,” says Marc Ostwald of ADM Investor Services.

“Lagarde has no real experience in economics, she doesn’t really have any experience in the formation of monetary policy.”

Andrea Iannelli, investment director at Fidelity International, concurs, saying: “She brings no experience in central banking, having played more political than policy-related roles in her career.”

Mike Hewson, CMC Markets chief market analyst, highlights Lagarde’s role in the bailout of Greece as head of the IMF. She admitted the Fund made mistakes after it was accused of manipulating Greece’s debt sustain-ability projections to allow it to contribute rescue money.

“It suggests to me that there was some political pressure brought to bear,” says Hewson.

He adds that the ECB is “already fairly politicised as it is”, saying it threatened to cut off the banking systems of Greece, Ireland and Italy during the Eurozone crisis of the early 2010s. “But this, putting a politician in charge, pretty much removes the veil,” he says.

Andrew Kenningham, chief Europe economist at Capital Economics, says Lagarde “is likely to support [French President Emmanuel] Macron’s push for “more Europe” in the form of closer banking and fiscal integration.

Yet many argue these sorts of policies have been, and will continue to be, required to preserve the euro and keep its member states on their feet. Global markets have certainly reacted well to the news of Lagarde’s nomination, with bond yields falling and stocks rising.

“A more hawkish president would have posed a significant risk to the market, but Lagarde is probably more dovish than the departing president himself,” Ben Lord, fixed interest manager at M&G Investments.

He says: “She may even have a go at putting on a show of trying to change tack on its current account surplus,” which has long been a source of disharmony among the Eurozone members.

Seema Shah, chief strategist at Principal Global Investors, says Lagarde’s nomination came “as a pleasant surprise to markets, dispelling fears that hawkish Bundesbank president Jens Weidmann would be taking the helm”.

David Zahn, head of European fixed income at Franklin Templeton, adds Lagarde’s background means she would be “unconstrained” when considering “innovative approaches to monetary policy”.

Jim Reid, research strategist at Deutsche Bank, says: “Markets will like the fact that she is a skilled and well-connected political operator.”

And with questions over the limits of the ECB’s asset purchasing programme and the risk of debt restructuring, Reid says: “A lawyer could prove to be useful”.

Freshfields ups equity partner pay to £1.89m

JAMES BOOTH

FRESHFIELDS Bruckhaus Deringer has boosted average equity partner pay to £1.89m, it said yesterday.

The firm said average profit per equity partner (Pep) grew six per cent in the year to 30 April, putting the firm at the top of the Magic Circle partner pay league.

Revenue grew five per cent to £761m and net profit inched up one per cent to £68.8m.

Managing partner Stephen Eilers told City A.M. that the firm had benefited from an increasingly turbulent world which suited its skillset.

“The more the world gets less organised, the more you need the lawyers to organise things in the transactions and the investigations and that plays to our strengths,” he said.

Freshfields has been the target of high-profile partner raids by US firms over the past two years, most notably the double defection of private equity stars Adrian Maguire and David Higgins to Kirkland & Ellis.

Freshfields’ private equity chief Charlie Hayes said, however, that the firm’s buyout practice is going from strength-to-strength.

“Private equity revenue now makes up 16 per cent of our global business, we think that shows our strategy is working. We have had double-digit growth across the piece, whether that be with CVM, CVC, Permira, Warburg Pincus, Blackstone, Heffman & Friedman. It’s across the board,” he added.

London private equity head Victoria Sigieta said the growth was “very much testament to our team work and our building of international client teams across this piece, that being the core of our strategy rather than the star lawyer approach”.

Earlier this month, the firm increased salaries for its firstyear lawyers to £100,000.

Eilers said the firm had finished the year strongly and made a good start to 2019-20.

“We are quite optimistic… the world might change, but we think Freshfields is very well positioned to take up that challenge, maybe better than the American firms,” he said.

On Tuesday, rival Clifford Chance announced revenue growth of 4.3 per cent to £1.69bn and a Pep increase of one per cent to £1.62m.

MERRY BERRIES

UK strawberry servings increase as Wimbledon gets into its swing

THE UK exported a record £3.9m of fresh strawberries around the world last year, an increase of 56.3 per cent, it was revealed as Wimbledon started. More than 166,000 portions of strawberries and cream will be served at this year’s tournament.

Boeing promises $100m to help families hit by deadly crashes

ERIC JOHNSON

BOEING yesterday said it would give $100m ($80m) to organisations to help families affected by the deadly crashes of the planemaking giant’s 737 Max jets in Indonesia and Ethiopia.

The multi-year payout is independent of lawsuits filed by families of the 346 people killed in the two crashes, in October 2018 and March of this year, a Boeing spokesperson said.

The funds will support education, hardship and living expenses for affected families, community programmes, and economic development in impacted communities, Boeing said.

Boeing also said it will match any employee donations through December.

“The families and loved ones of those on board have our deepest sympathies, and we hope this initial outreach can help bring them comfort,” said Boeing chief executive Dennis Muilenburg.

The pledge comes as Boeing faces probes by global regulators and US politicians over the development of the 737 Max.

Shares in The Works rise after revenue boost

HARRY ROBERTSON

DISCOUNT UK retailer The Works rose almost 10 per cent yesterday after its full-year results showed increased underlining profit in the year to April 2019.

Investors were not put off by the heavy costs The Works incurred related to its initial public offering (IPO) in July 2018, and debt refinancing as shares hit 60p.

The arts and crafts chain’s adjusted profit before tax rose to £7.6m in the year to 28 April 2019, up 27.9 per cent from £4.2m a year earlier.

Yet its adjusted profit before tax rose by 6 per cent to £2.3m from £2.6m in the year ended April 2018.

The disparity was mainly due to a hit of £2.9m in IPO-related costs as well as charges for debt refinancing and related capital e-commerce operations.

Its revenue grew 13.2 per cent to reach £217.5m for the full year from £192.1m a year before.

Kevin Keane, chief executive, said: “We delivered good like-for-like revenue growth as we traded all channels as our continued focus on product newness and our nimble buying strategy enabled us to anticipate customer demand for current trends.”

However, The Works noted that it faces a “challenging environment” and a “subdued” consumer spending backdrop at a time when high street stores are struggling.
ITIAN’s main index rallied to its highest level since late October, as sterling fell after weak economic data, which aided exporter firms, reinforced bets that the Bank of England would cut interest rates and drove investors to high-dividend stocks.

The FTSE 100 rose 0.7 per cent to 7,609.32 points, scaling its highest level since 29 August, boosted by shares of companies that book a major chunk of their revenue overseas. The mid-cap FTSE 250 added 0.6 per cent to 19,790.83 points.

Healthcare firms, consumer companies and utilities—a mix of stocks that benefit from a weaker pound and are considered ‘defensive’—were among the biggest boosts to the main index. Drinks maker Fizz自来水 and misfits fizzled amid hopes of a favourable review into the so-called “six taxes” on products high in salt, fat and sugar to be promised by Conservative party leadership frontrunner Boris Johnson.

Shares of Britvic and sweetener maker Tate & Lyle rose two per cent over the week.

**BEST OF THE BROKERS**

To appear in Best of the Brokers, email your research to notes@cityam.com

The broker said the trading update is “good news” for the group, and raised its full-year profit before tax forecasts. Liberum has kept a “buy” rating, with a target price of 330p.

**RELENDEX**

Relendex, the peer-to-peer lender specialising in the UK property market, has announced the appointment of James Hodgson as its latest business development manager covering the north east region. James has joined from Assetz Capital, where he was an underwriter director. In this role, he worked with borrowers to provide a tailored funding package to undertake residential property development. James long career in the sector has enabled him to build a significant portfolio of broker and lender contacts, with a focus on the north of England. James began his career at Yorkshire Bank where he held a number of roles over two decades before moving to National Australia Bank where he was a commercial real estate manager.

**QUEENSBERRY**

Queensberry has appointed Kis Muul as Development Project Manager to support the London team on the growing number of projects in the south east. Kis is based in Queensberry’s head office in Mayfair and joined the team in June, having previously worked as a project manager at independent construction and property consultancy Gardiner & Theobald. He has worked on numerous high-profile projects across London, including the delivery of the Bermondsey Project, a 500m mixed-use development and 20 Manchester Square in Marylebone. His expertise spans across delivering projects within residential, commercial and mixed-use sectors of the construction industry.

**Brokers urge investors to buy Topps Tiles shares as sales show growth**

Topps Tiles yesterday posted like-for-like sales growth of 3.8 per cent for its first half of the firm’s financial year, not least in Europe, the Middle East and Africa. But it is also facing an uncertain future. Analysts at Peel Hunt maintained an “add” rating on the shares, setting a target price of £650p.

**Historic landlord’s top team gets a reshuffle**

The Duke of Westminster’s property group Grosvenor, which owns swathes of London’s Mayfair and Belgravia, has announced a succession plan that involves its group chief executive Mark Preston stepping down as boss. Preston will continue as executive trustee of the Grosvenor Estate and head of the Family Office, while current Britain and Ireland chief executive Craig McWilliam will replace him.

Group executive director Peter Vernon will also retire in 2020, the firm said.

The reshuffle is set to be completed by the end of next year. In a statement yesterday, Preston said: “Craig’s appointment will allow me to focus on the role of Executive Trustee to further promote and develop the Grosvenor Estate’s increasingly diversified activities, supporting Grosvenor Group, Wheatleigh Group and the Family Office [directly leading the last of these] to achieve our purpose of delivering lasting commercial and social benefit.”
Corporate reputation is too valuable to leave to chance

Neil Bennett

Significantly, while most of the companies in the survey had a positive reputation value, 21 per cent actually had a negative one, and that value destruction is worth a total of $42bn. These are companies that need to look at themselves pretty carefully and work out where they are going wrong.

In terms of industry sectors, the data also threw up some wide disparities. Not surprisingly technology was the clear winner, given the high expectations for growth. Here, reputation was worth 43 per cent of total market value, against utilities, the worst performer, at only 25.2 per cent. These are all facts that we perhaps have sensed, but it is interesting that the data is there in order to confirm our suspicions.

As Peter Drucker put it: 'what gets measured, gets managed'.

Reputation Dividend cut

Then Reputation Dividend cut the means further in by looking at what specific factors drive corporate reputation. They looked at the nine categories used by Fortune Magazine’s ‘Most Admired Companies’ annual survey. The most valuable factor in reputation was long-term investment value – or growth potential in more simple terms – which was worth a total of $2.2 trillion. Quality of management came second at $1.2 trillion. Items that spring to mind more easily when talking about corporate reputation are accountability, actually scored quite low on the scale, but were still unendulously valuable. Perhaps more of social responsibility came in at $1.65 trillion, which is not to be sniffed at. So what does all this actually mean? The data gives each company a roadmap on how to enhance the value of their reputation, areas where they are strong, and others where they score less highly.

Companies that score low in terms of long-term investment value, for example, need to do more to prove the strength of their business model to investors, while others may need to focus on demonstrating the strength of their management.

This report has given us a wealth of data about the reputations of our clients and other businesses. As Peter Drucker put it: ‘what gets measured, gets managed’. This survey shows that reputation is too important to not be managed.

Britain’s fintech champions face an uphill climb if they want to expand into America

David Richards

When did you last pay with a cheque? I’d be willing to bet that many of you don’t even know where your cheque book is, and if you do, that it’s probably gathering dust.

If you’re living and working in a UK city, you’re totally accustomed to new ways of banking – from Apple Pay to contactless – with challenger banks popping up every day. But given that today is US Independence Day, it’s worth considering what things are like for our American cousins.

In the US, the banking culture couldn’t be more different. Cheques are very much alive and well, as are trips to your local branch. Christmass cards from your bank manager, and daily visits to the ATM. Why does this matter? To most people, it may not, but if you’re a fintech company planning to launch across the pond, these entrenched cultural differences should be front of mind.

Challenger bank Monzo recently announced it would be launching in the US, aiming to build on the customer base of two million that it has established in the UK. Elsewhere, Revolut unveiled plans to do the same, as did the German challenger N26.

The achievements and ambitions of these businesses should be applauded. After all, a British tech company scaling globally is as rare then in the US, as it is in London. However, it’s well known that British fintech firms face challenges when expanding to the US.

While fintech has skyrocketed in the UK, propelling a digital revolution in personal and corporate finance, the landscape is fundamentally different in the US. Put simply, digital and mobile banking has not yet taken off in America. As a Brit living in Silicon Valley for over 20 years, I can tell you that banking remains a perennial affair, far removed from technological disruption.

I was recently at a three-day Microsoft conference. There were sessions on artificial intelligence, cloud computing, and machine learning, but no mention of fintech. The technology isn’t on anyone’s radar here, which gives the UK an edge, but it also raises its own challenges.

A fintech startup looking to grow in the US needs to navigate the complex world of state-by-state regulation. Trust me, it’s no easy feat, and a core reason why domestic fintech has not made its mark in the States.

A regulatory sandbox was a central piece of the success that fintech has experienced in Britain. America is five years behind in the race, and there are entirely different governing principles across the nation. I will admit, it may be too early to say how fintech will fair in the US. In the end, a good business with a strong product that resonates with customers is hard to beat. Just think back to the dotcom bubble, and the struggles of Adobe and Netscape. Both businesses faced fundamental challenges in the beginning. While Netscape failed to compete with Microsoft as it rolled out Internet Explorer, the quality of Adobe’s range of services ultimately allowed it to see off the competition. As things stand, it remains unclear who the Adobe or Netscape of British fintech will be. But what we can bank on is that fintech faces an uphill climb in the US.

David Richards is co-founder and chief executive of WADisco.
Planning for the future is great, but we need a better NHS today

Victor Adebowale

The NHS was built with one key purpose: to address social inequality by making the best healthcare available to everyone. For years, that aim has driven technological innovations that power better provision of care. However, as we mark 71 years from when it was founded, the NHS is operating in a very different world – one where the discussions about innovation are focused on what can be done in three, five or 10 years’ time, instead of right now.

The exciting technology of the future might be an interesting conversation, but it’s not going to help patients and clinicians that need support now. Overwhelmed by demand, our healthcare system needs tools and partners that help it continue to deliver on its much-loved mission today. With so many opportunities to digitalise, it is not original to suggest that tech might be at least part of the answer. Each and every NHS plan that a government has delivered has included improving healthcare efficiencies through technology in some shape or form.

Yet there is still an underlying misconception that it is impossible for the NHS to successfully adopt new technologies. The truth is that previous programmes have failed to recognise reality, costing too much and delivering too little – that’s why a digital NHS remains a promise on paper, rather than a true reality.

The issue is that we are having the wrong conversations about the wrong technologies. All too often, solutions focus on a top-down or “one-size-fits-all” approach, such as forcing tools built for the corporate world into the “uncorporate” NHS. These technologies aim for flashy disruption, rather than supporting and working with the grain of the much-loved institution.

The reality is that the NHS is inherently complex. Doctors across the country face very different challenges, so to be truly effective, technology used at any stage of care must be unique to the needs of patients and clinicians. The NHS has the ability and opportunity to digitalise now, but only if we focus on the right elements of healthcare and do it for the right reasons. Developments in artificial intelligence and wearables certainly hold promise, but the primary focus should be the opportunities with technologies that already exist and are in use today.

Medical innovations such as robotic surgery, IVF, and 3D printing have taught us huge lessons on the potential of technology in healthcare. The greatest opportunities lie in connecting the dots between what’s needed and what’s possible now to empower clinicians to do what they do best, more effectively, and in a shorter time frame. They are the real heroes, so successful adoption relies on using technology that works with the grain of the NHS and facilitates clinicians in their role, rather than adding to the complexity.

Here’s one example that’s happening right now. Under the current NHS Long Term Plan, all GP practices must offer virtual clinic capabilities by April 2020. A lot of work is needed to get ready for that shift, and the best way is by integrating virtual appointments within existing GP practices, not replacing them.

Last week, NHS England outlined ways to reform patient registration, funding and contracting rules to ensure choice and the right access to integrated care. Having listened to the teething issues of integrating virtual GP appointments into the system, the report suggested adding a requirement for face-to-face consultations to help iron out those problems.

Building a better NHS today means providing the tools that help deliver better ways of working for clinicians, as well as better patient care. Video collaboration and virtual appointments are the start of this journey, as well as the future of healthcare provision that will place the NHS in people’s pockets.

The primary focus should be the opportunities with technologies that already exist

© Lord Victor Adebowale is chair and co-founder at Visible.

Christine Lagarde’s tentative appointment reflects the challenges that the ECB will face in its third decade. Post-crisis unconventional monetary policy and the Bank’s prominence in the continent’s capital markets have put it in a glaring, deeply political spotlight unlikely to dim anytime soon.

Appointing an astute communicator, accustomed to grappling with political pressure, is a wise move.

Furthermore, her appointment will provide a welcome sense of continuity for financial markets already anxious about economic growth and lacklustre inflation in the Eurozone. To some degree, Mario Draghi’s policies are locked in over the medium-term horizon, as forward guidance remains set. Yet Lagarde’s IMF speeches suggest that she is someone likely to continue her predecessor’s policies either way. Indeed, her lack of central banking experience could prove to her advantage here: it could enhance the role of the ECB’s internal technical experts, who have orchestrated the current monetary stance.

Christine Lagarde is the ultimate political candidate. What she lacks in central banking expertise is abundantly compensated for in political acceptance. Renowned as an effective political operator and a beacon of the prevalent establishment world view, she can be expected to hold up the EU status quo.

The EU, however, is facing turbulent times, and the ECB is expected to manoeuvre the euro in the midst of lacklustre growth, as the transient impact of massive and controversial monetary easing is tapering off.

Meanwhile, economic and political tensions are mounting between the winners and losers of the euro. Lagarde will be caught between the demands of a strong, albeit somewhat weakening, Germany and a struggling French President desperately trying to force the unfeasible completion of the federal European project.

Rather than a talented political nominee, the ECB would need someone with the courage to diagnose the Eurozone’s true economic situation, and the expertise to act accordingly.

© Andrea Hosso is an economist and investment specialist.
Defusing a cyber security nightmare

In the age of flexible working, how can businesses keep all of their data safe?

Richard Agnew

It’s time for businesses to change their approach from prevention to protection.

Office Politics

According to the Office for National Statistics, at least half of us are expected to embrace flexible working by 2020. This is excellent news for employees who crave the ability to work when and where it suits them. Unfortunately, it might not be such good news for your company’s data security.

Along with the rising popularity of flexible working cultures, there has also been a dramatic increase in data portability. Today’s data storage methods and devices are powerful and ultra-convenient – hundreds of gigabytes of data can be stored on mobile devices, more than one terabyte of data can be put on microSD cards, and data can be easily transferred to personal cloud storage services.

Such technology is so convenient that it straddles the line between helping employees be more collaborative and productive, while also making data so portable that it is difficult to track and protect.

Not surprisingly, while data has become more portable, it has also become more exposed to attacks and breaches.

The fact remains that data today is more vulnerable and distributed than it was even a year ago. The more often sensitive data moves outside the traditional security perimeter of the office network – to personal devices, endpoints or the cloud – the greater the security risk. These risks are compounded by the ways in which employees access, share and save data, making it especially difficult for IT security teams to see where data lives and moves.

To accommodate new, more flexible working patterns, a completely new approach to data security is needed. We know that prevention strategies alone are inadequate because high-value data is lost every day.

Instead of trying to prevent data from moving outside traditional security perimeters, organisations should focus on gaining visibility over their data lives; when and what data leaves their organisation; and who has access to it.

The newest generation of data protection strategies are based on how quickly organisations can detect and respond to threats. Quick response to threats is especially important during situations when data is at high risk. In particular, businesses need visibility to their data during M&A, organisational changes, and employee departures, as well as when data is accidentally leaked.

Today’s employees expect flexible working to be the norm, not the exception. If businesses don’t change their approach to security – from prevention to protection – there will be an ongoing problem with employees putting data at risk as they handle, move and save it.

The data security approaches of today must therefore flex as much as employees’ hours.

Richard Agnew is vice president EMEA at global security company Code42.
THE WOODFORD CONUNDRUM

Katherine Denham on why a new long-term fund completely misses the point

When you don’t think it could get much worse for Neil Woodford, it does. And now it seems that the scandal around Britain’s most famous fund manager could pave the way for a new type of investment fund. While a new fund had technically been in the pipeline for a while, the timing of the announcement – coming shortly after the Woodford fund suspension – is poignant.

Last week, the Bank of England governor Mark Carney waded into the debate about Woodford-style funds, saying that they are “built on a lie” – referring of course to the paradox of funds that hold hard-to-sell illiquid assets but which also claim to allow investors to take their money out whenever they like.

As we have seen with Woodford’s equity income fund, which is currently suspended until at least 29 July, it’s really not that simple. In fact, if lots of people flock to cash-in all at once, the reality is that your money could end up being locked in for months.

While Woodford’s certainly isn’t first fund to ever suspend (think back to the Brexit vote when several property funds suspended for months), the former star manager has really highlighted the conflict between the structure of open-ended funds and the underlying assets.

Carney warned that half of investment funds have this structural mismatch. “Under stress, they may need to fire-sell assets, magnifying market adjustments and triggering further redemptions – a vicious feedback loop that can ultimately disrupt market functioning.”

Over recent weeks, the rallying call for regulators to take action to prevent another Woodford debacle has grown louder, though the launch of a whole new investment fund was perhaps not what most people had in mind.

Last week, the Investment Association published a report containing details of a new so-called “long-term asset fund”. A more detailed blueprint will be published later this year, but it’s thought that the fund would only allow investors to trade on a monthly or quarterly basis, rather than daily.

The industry seems less than enthusiastic about the idea, with some arguing that this tries to turn open-ended funds into something that they are not.

It also seems to ignore the fact that we already have a whole perfectly suited to holding long-term, illiquid assets in the form of investment trusts. Investment trusts do not have this inherent liquidity mismatch because they do not offer redemption. Instead, investors buy and sell their shares on the stock market, which means that trading has no impact on the underlying portfolio.

Ian Sayers, chief executive of the Association of Investment Companies (AIC), says that the proposals do not address the fundamental issues raised by the recent suspension of the Woodford fund. “We appear to be heading towards a world with less frequent redemption opportunities, more frequent suspensions, and the likelihood that open-ended managers will hold ever greater amounts of cash, reducing investment returns,” he says.

The AIC suggests that asset managers which offer open-ended funds holding illiquid assets should publish reasons why the structure chosen is in the best interest of consumers.

As Sayers adds: “There are many commercial reasons why asset managers favour open-ended funds over closed-ended funds, even when it is clear that the closed-ended structure is better suited to illiquid assets. We believe that the time has come to put consumers’ interests first.”

It’s strange that attention has focused on creating something new, rather than looking at how we can better utilise what is already available. And in fact, launching a new type of fund could create more problems than it solves.

For one, there are questions around how popular this long-term fund would actually be, as it fails to address the fact that investors want easy access to their own cash. Adrian Lawcock, head of personal investing at Willis Owen, warns that he would be very cautious about recommending the fund, because many clients expect to be able to sell their investments and get their money back quickly. “Execution-only platforms are designed around this convenience, and for many of these investors, having some funds with monthly dealing makes the investment experience more complex.”

The worry is that investors could get confused by all the various roles that apply to different types of fund, and only really be reminded when they want to cash-in.

Meanwhile, monthly dealing doesn’t necessarily remove the issue of liquidity, because in extreme circumstances, the fund manager could still be forced to sell. And of course, a fund doesn’t have to hold a significant amount of illiquid assets to run into trouble.

It’s understandable that regulators want to be seen to be taking action, but perhaps the question is not whether we need more rules, but whether existing regulation is being properly enforced. Note that the FCA started investigating Woodford over his breach of the unquoted cap as early as February 2018.

Shaun Port, chief investment officer at Nutmeg, does not think that a new fund is the answer: “The Woodford crisis was avoidable through more appropriate liquidity and risk analysis by the fund manager, and through robust due diligence by those promoting the fund,” he says. “It is not the fund structure that is at fault here, rather the way that the portfolio was structured and managed.”

But there is another way that creating a new fund misses the point. Woodford has damaged investors’ trust in the industry, so for many people, the prospect of having their savings locked away in a long-term fund is unlikely to sound very appealing.

Indeed, Holly Mackay, founder of Boring Money, thinks that this is the bigger issue that needs resolving. “Fund managers are very good at thinking that the answer to everything can be found by an engineer or an actuary, but a new product structure should be a secondary consideration,” she says. “The bigger problem is to sort out people’s mistrust of the industry. This means being clearer about what a fund is trying to do, and precisely how much it costs.”

At the moment, the launch of a long-term fund seems like an unhelpful knee-jerk reaction. For the investment industry and its regulator, it’s really time to reassess their priorities.
**SPORT**

**England could be peaking at the right time**

**CRICKET COMMENT**
Chris Tremlett

WHAT a difference a week makes. England have lifted the gloom that had begun to surround them following two poor performances by embracing the pressure and proving they had it wrong. They got themselves into a position where they needed to win two World Cup matches and have come through them in impressive fashion, beating India and New Zealand, so they could be peaking at the right time.

They will be very happy because the last two games have been packed full of positives, with senior players standing up when it mattered. The return of Jason Roy has been huge. Jonny Bairstow has been fired up and brilliant, scoring two centuries. Liam Plunkett has returned to the side and shown just how important his dependable bowling in the middle overs is.

England deserve an enormous amount of credit. Before the World Cup started there was a lot of hype around them as favourites and I think they’ve shown they can perform under pressure and in different conditions.

Some have said Eoin Morgan’s side are flat-track bullies. Of course they are brilliant on good pitches, but they can also adapt if necessary. England know how to play the condition before a game. It can be a series with every side, with South Africa and the West Indies struggling.

England now turn their attention to the semi-finals, where they could play Australia or India. I don’t think they will mind which. India play Australia or India. I don’t think they’ve shown they can perform under pressure and in different conditions.

**SUPER SMASH BROS**

**Openers are the key to England’s World Cup after vital partnership, says Felix Keith**

The conduct of Ben Stokes and Alex Hales on 25 September 2017 outside a Bristol nightclub may have sent shockwaves through England’s cricket team, but it also had a knock-on effect which has played a huge part in making them the side they are today – a side in a World Cup semi-final for the first time since 1992.

Hales’ removal from the side and subsequent prolonged absence following a second failed drugs test has left the floor clear for Jason Roy and Jonny Bairstow to become England’s not-so-secret weapon at the top of the order.

Considering they first came to open the batting in one-day internationals in September 2017 their achievements are remarkable.

The right-handed duo began their partnership with combinations of 126 and 156 against the West Indies and never looked back.

Following yet another match-defining 123-run partnership in a crucial must-win final group game against New Zealand at Chester-le-Street yesterday, Roy and Bairstow have now scored 2,186 runs together at a rate of faster than seven runs per over.

According to statistics app CricViz, none of the other 89 ODI partnershipships to have managed over 2,000 runs together have scored at a quicker rate.

Roy and Bairstow score quickly, invariably getting England off to a rapid start, but they are also consistent, averaging over 65 per partner-ship – the most of any established ODI opening pair in history. This summer they average 99.7 in seven ODI innings together.

Put simply Roy and Bairstow are a statistical marvel – the perfect bedrock for England’s patented ultra-aggressive ODI batting style.

**Quick-Fire Starts**

Much was made of the impact Roy’s hamstring injury could have on England’s World Cup campaign when he pulled up in the outfield on 34 June against West Indies in Southampton. His importance is now clearer than ever.

His replacement, James Vince, made scores of 26, 14 and 0 in Roy’s absence, with defeats by Sri Lanka and Australia threatening to derail the hosts’ entire campaign. Since Roy returned to the fold England have gone back to resembling what they are: one of the best ODI sides in the world.

While it has been Bairstow who has taken the headlines through back-to-back hundreds against India and now New Zealand, the Surrey opener has been crucial too, scoring 66 from 57 balls and 60 from 61 to give England the confident starts they’ve needed when batting first in pressure situations.

In Chester-le-Street yesterday, as on many occasions previously, their quick-fire opening salvos have given the impression of a flat wicket which is easy to score on.

After seeing off an opening over of left-arm spin from Mitchell Santner, which threatened to break the spell, both Roy and Bairstow looked comfortable, hitting the ball over the off-side field and piercing the gaps all around the wicket.

Making the most of the hard new balls was vital because, as their lower-order team-mates found later, it was not easy at all, with cross-seam deliveries and slower balls sticking in the pitch to make scoring freely a struggle for the vast majority.

But having plundered 123 from the opening 18.4 overs England were afforded the luxury of being ahead of the game. Despite something of a slump England’s score of 305 was imposing.

In stark contrast to the free-flowing blades of their opponents, New Zealand’s top order was hesitant in the face of quality bowling and it cost them dear. Once the kingpins of Kane Williamson and Ross Taylor had been toppled the game was only heading in one direction, with England’s progression to the semi-finals confirmed when the Black Caps were dismissed for 186 in 45 overs.

England have sometimes been accused of being flat-track bullies. In reality it’s a fallacy their opening partnership perpetuates through their consistent brilliance.

**EDMUND RUES FITNESS AFTER CRASHING OUT TO VERDASCO**

Kyle Edmund says he must improve his fitness after letting a commanding lead slip to lose in five sets to Rafael Verdasco at Wimbledon yesterday. The British No1 was three games from victory in the third round before taking the opening two, but faded to lose 6-4, 6-4, 7-6, 6-3, 6-4 to the veteran Spaniard.

“The sort of physical intensity that I showed in the first part of the match gradually just declined,” Edmund said. “I was not able to keep that level up.” British No2 Heather Watson was also knocked out by Anett Kontaveit.

**SPORT DIGEST**

**GAUFF PROLONGS WIMBLEDON DREAM WITH RYBARKOVA WIN**

Cori Gauff continued her dream run at Wimbledon by beating former semi-finalist Magdalena Rybarikova in straight sets last night. The 15-year-old American backed up her first-round win over Venus Williams by showing talent and composure to overcome her opponent 6-3, 6-3 in an hour and nine minutes. “I’m still shocked I can even here,” Gauff said. “I believe I can beat anyone across the court.”

**Late Winner Sends Holland Into World Cup Final**

Jackie Groenen scored an extra-time winner as Holland beat Sweden 1-0 to reach the Women’s World Cup Final last night. Groenen rifled into the bottom corner from the edge of the penalty area in the 99th minute to break the deadlock after Holland’s Vivianne Miedema and Sweden’s Nilla Fischer both struck the woodwork in a tight game. Groenen’s precise strike sends Holland through to face the United States in Sunday’s final in Lyon, while Sweden will play England in Saturday’s third place play-off in Nice.

**MAN CITY TO BREAK TRANSFER RECORD FOR £63M RODRI**

Manchester City are set to break their transfer record to sign Atletico Madrid midfielder Rodri. The 23-year-old is expected to join the Premier League champions for £63m (£70m) after Atletico confirmed yesterday that City had met his release clause. The signing will trump the £60m City paid Leicester City for winger Riyad Mahrez in 2018. Rodri, who has won six caps for Spain, joined Atletico from Villarreal in May 2018 and made 34 La Liga appearances to help them finish second behind Barcelona last season.

**FIJI INTERNATIONALS GONEVA AND CAVUBATI JOIN QUINS**

Harlequins have signed Fiji internationals Vereniki Goneva and Tevita Cavubati from Newcastle Falcons. Winger Goneva, 35, who has scored 58 international tries and 20 in 55 Tests for his country, replaces Tim Visser, who retired at the end of the season. “It’s a real coup for us,” said Quins director of rugby Paul Gustard. Lock Cavubati, 31, will join after playing for Fiji at the World Cup in Japan this autumn. The duo follow Tovos Vaita to Quins, after the South Africa winger joined from Super Rugby side Bulls.
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