RECESSION FEAR ROUTS MARKETS

Meanwhile in China, industrial output growth dived to a 11-year low as signs mounted that the trade war is taking a toll on the world’s second-biggest economy. Rattled nerves led to the yield curve on two- and 10-year US Treasuries inverting for the first time in a dozen years - an event which can signal an upcoming recession. Yield curves also inverted on UK bonds. An inverted yield curve means long-dated government bonds have lower yields - the interest rate that holders receive - than short dated ones. The inversions are a sign that investors are piling into higher yielding parts of the ultra-safe government bond market because they fear for future growth and inflation and foresee lower interest rates to come.

The Dow closed 3.05 per cent down last night; the Nasdaq lost 2.93 per cent; the S&P 500 index dropped 2.93 per cent. Meanwhile in China, industrial output fell 5.4 per cent, its biggest one-day drop of 2019 – as fears of an imminent recession gripped trading floors on Wall Street and beyond.

Investors were spooked after Europe’s largest economy, Germany, was shown to have shrunk in the second quarter of the year due to tumbling exports hit by trade tensions and weakening global demand.

HARRY ROBERTSON
@HenryGrobertson
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Corbyn urges Remainers to make him PM

JEREMY Corbyn has called on MPs opposed to a no-deal Brexit to back his attempt to form a “strictly time-limited” government, insisting he would call a General Election and campaign for a second referendum.

The Labour leader wrote to backbenchers and other opposition leaders promising to extend Article 50 and push for “a public vote on the terms of leaving the European Union, including an option to Remain”. The plan would follow a successful vote of no confidence in Boris Johnson’s government.

Remain-supporting MPs have been plotting alternative plans for a coalition opposed to a no-deal Brexit that would not be led by Corbyn.

Last night senior Liberal Democrats rejected Corbyn’s plan, with new leader Jo Swinson saying: “Corbyn is not the person who is going to be able to build an even temporary majority in the House of Commons for this task.”

Arch Tory Remainer Dominic Grieve told City A.M.: “It’s a respectable letter, but its respectability doesn’t mean I’m going to jump and down and say ‘oh yes that’s wonderful – let’s agree to it now’."

ALEXANDRA ROGERS
@city_amrogers
US VICE president Mike Pence will speak at a trade banquet in the City when he visits London next month, City A.M. can reveal.

The black tie dinner, hosted by the City of London Corporation, will take place at Guildhall in the Square Mile on 5 September and will also be attended by the international trade secretary Liz Truss.

Some City councillors are unhappy that Pence was invited to the Square Mile in light of his opinions on a range of social issues.

Councillor Richard Crossan said: “Pence’s views on LGBT rights and immigration are the polar opposite of what the City stands for. I hope the Corporation will think again about giving him a platform and tacitly endorsing his prejudice.”

Another said they were not going to attend the event in protest and that other invitees could do the same. “I know what the justification for this dinner is,” they said. “It is an important trading relationship. I think it is a very uncomfortable situation dealing with the current US administration.”

City A.M. understands Pence was first invited by Truss’ predecessor Liam Fox, who was sacked in July. A Corporation spokesperson said: “A range of leading politicians, industry figures and dignitaries are invited to events throughout the year to promote the UK financial services sector and maintain our position as a leading international financial centre.”

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FCA needs to bare its teeth to help investors

A

OTHER day, another investment scheme collapse. This time it is mini-bond firm Asset Life. News broke yesterday that the company crashed into administration last month, owing more than 500 investors £8m. Asset Life had close links with fellow mini-bond firm London Capital & Finance (LCF), which went bust in December owing 11,600 investors £396m. While LCF may grab headlines, it is only the most prominent of a string of investment firms to have gone bust in recent months, leaving investors millions of pounds out of pocket. In March, bond investment firm MJ Capital which raised up to £30m from investors went into administration; in May property investment firms Harwood Associates and Mederco both went to the wall owing investors and creditors £32m and £27m respectively; and in June foreign exchange investment firm Hudspiths shut up shop owing clients £40m. Although the Financial Conduct Authority (FCA) belatedly intervened in LCF, and the Serious Fraud Office is now investigating after the fact, investors in smaller schemes seem hard-pressed to get regulators (or in cases where there is evidence of fraud – the police) interested. In the case of LCF, the firm was regulated by the FCA, but its mini-bond business was entirely unregulated – leaving creditors with no protection when it collapsed. In April, the Treasury Committee said the FCA should be given powers to recommend changes to its regulatory perimeter, in order to crack down on firms exploiting the grey area between regulated and unregulated activity, which FCA chair Andrew Bailey told its annual meeting in July that he was frustrated at the lack of support from internet service providers in cracking down on the advertising of high-risk investment schemes online. Whether a change in the scope of the FCA’s powers is what is needed or more intense action to combat online advertising of high-risk schemes, it is clear that the status quo cannot continue. Thousands of retail investors, many of them pensioners, are being persuaded to put their cash into high-risk schemes and collectively lose millions in the process. The FCA’s first objective is to protect consumers. It needs to do a lot more to protect them from investment products that promise the world and deliver nothing but misery.

FRAUD VICTIMS MISLED AS
BUSINESSES GET ‘NO-DEAL LENIENCY’ FOR DIGITAL TAX
MACY’S TURNAROUND HITS OUTLOOK AFTER MISSING PROFIT
GOOD FRIDAY AGREEMENT PLOT TO BLOCK NO-DEAL
LENIENCY’ FOR DIGITAL TAX
WASHINGTON HELPED AFRICAN STATES SPY ON OPPONENTS
PELOSI: TRADE DEAL NEEDS ‘NO-DEAL’ PLOT TO BLOCK NO-DEAL
BERCOW SLAMMED OVER MP PLOT TO BLOCK NO-DEAL
PELOSI: TRADE DEAL NEEDS ‘NO-DEAL’ PLOT TO BLOCK NO-DEAL
THE DAILY TELEGRAPH
THE WALL STREET JOURNAL
HUAWEI HELPED AFRICAN STATES SPY ON OPPONENTS
Employees embedded with cyber-safety forces in Uganda and Zambia intercepted encrypted communications and used cell data to track opponents, according to a Wall Street Journal investigation. Chinese tech giant Huawei said it “rejects completely the unfounded and inaccurate allegations”.

MACY’S TURNAROUND HITS HARSH RETAIL REALITY
Macy’s lowered its full year earnings outlook after missing profit expectations in the latest quarter, even though it reported growth in a key sales metric.

SPOKESTERS in Hong Kong struck a note of contrition yesterday after a peaceful sit-in at the city’s international airport descended into violent clashes that saw at least two men attacked by activists. Beijing condemned the protests as “close to terrorism,” while satellite images appeared to show a build-up of troops close to China’s border with Hong Kong.

Sorry Sight

Hong Kong activists apologise after violent night of clashes at airport leads to injuries and sparks travel chaos

Sports Direct shares tank after auditor steps down

JAMES BOOTH
AND ANNA MENIN
@jamesbooth1 @annamenin
SPORTS Direct shares tumbled to their lowest level since 2011 yesterday after it emerged that Mike Ashley’s retail empire could be left without an auditor, breaching stock market rules. The retailer said yesterday its auditor Grant Thornton had given notice that it would not seek reappointment, standing down on 11 September, the day of the company’s annual general meeting. Shares closed down 1 per cent yesterday. The announcement once again threw Sports Direct into chaos, as all of the Big Four audit firms have indicated they are reluctant to take on as its auditor. Sports Direct wrote recently to business minister Kelly Stihlurst to ask for clarification on what would happen if it was unable to find a new auditor. The Department for Business, Energy and Industrial Strategy (Beis) replied setting out the circumstances where it would step in. Under the Companies Act, business secretary Andrea Leadsom can appoint an auditor if a firm is unable to find one after a tender process. A Beis spokesperson said: “We have not received a formal notification to provide assistance to the company to find an auditor. Lawyers for Sports Direct have requested clarity on our role, and we have responded.”

Sports Direct and Grant Thornton issued a joint statement to the London Stock Exchange which said the retailer “has a longer-term aim of looking to engage a Big Four auditor in the future”. The statement said “increased regulatory scrutiny” had contributed to Grant Thornton’s decision to step down, alongside “audit profitability.” The auditor had reportedly decided to sever ties with the retailer following unprecedented delays to the publication of its annual results last month, coupled with the revelation that Sports Direct owed Belgian tax authorities 657m euros (£625m).

Embarrassingly for Sports Direct, its annual report – published on Tuesday – had told shareholders speculation that it was set to run an audit tender in 2019 were “inaccurate”, and that the company intended to reappoint Grant Thornton.

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Grant Shapps questions whether new Heathrow runway ‘stacks up’

ALEXANDRA ROGERS
@dailyamrogers
TRANSPORT secretary Grant Shapps yesterday cast doubt over Heathrow’s third runway after he said there were “questions about whether the whole plan stacks up”.

Shapps, who replaced Chris Grayling when Boris Johnson became Prime Minister last month, acknowledged that MPs had voted as it prepares float

AUGUST GRAHAM
@AugustGraham
WEWORK lost nearly $700m (£580m) in the first half of the financial year, even as revenue doubled, the company announced in its first detailed financial results yesterday.

The company, the listing of which next month is expected to value the business in the tens of billions, said it has no plans to start paying dividends in the foreseeable future.

But with management warning that the company may wait years before becoming profitable, Wework faces a rough ride, said Neil Wilson, chief market analyst at Markets.com.

The filing showed revenue hit $1.54bn in the first six months of 2019, hitting $900m in the first six months at a 24 per cent increase year-on-year.

Its pre-tax loss rocketed even faster, from $430m to $1.9bn in the same period. It appeared set to rise again in 2019, hitting $900m in the first six months at a 24 per cent increase year-on-year.

As it prepares to attract new investors, Wework recognised that such rapid growth could cause problems. Spending is going to continue increase as the company expands, it said, but its rate of growth may not be sustainable. The company also “may not be able to compete effectively with others,” it added.

It warned that its “future success depends in large part” on chief executive Adam Neumann, who may leave despite having an unusually high amount of control over the firm.

“We have no employment agreement in place with Adam, and there can be no assurance that Adam will continue to work for us or serve our interests in any capacity,” it said.

Wework has 528 offices which are rented out to startups and more established players across 111 cities.

European Central Bank tells lenders to speed up their Brexit preparations

SEBASTIAN MCCARTHY
@SebMcCarthy
BANKS have been urged to speed up their Brexit preparations by the European Central Bank (ECB), which warned yesterday that London-based firms are falling behind on potential plans to move jobs.

The Eurozone’s top banking watchdog called on firms to step up their contingency plans as the UK nears Downing Street’s 31 October deadline for leaving the EU with or without a deal.

“So far, banks have transferred significantly fewer activities, critical functions and staff to euro area entities than originally foreseen as part of their plans for Brexit day one,” the ECB said in a statement.

It added: “Looking ahead, the ECB sees a risk that, as a result of the delays observed, banks will not be able to fully implement their target operating models within the timelines agreed with their supervisors.”

Consultants from EY said in June that banks in Britain had been showing signs of restarting preparations for a no-deal Brexit following a lull in the shift of financial services jobs and capital from the UK to the EU in previous months.
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Fill up for less when you fill your basket.

Save 10p per litre of fuel when you spend £60 in-store or online by 25 August.

TESCO
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10p
per litre

Qualifying spend of £60 in one transaction after discount and promotions, are applied, exclusions apply. Offer applies to purchases made or delivered between 9/7/18 and 25/8/18. Coupons issued at till valid for 2 weeks from date of issue. Coupons issued online valid until 14/9/18. UK Tesco汽油 filling stations only. Coupons not issued at Express stores selling Esso fuel, Kirkwall & Lerwick Superstores, ROF & T0M and cannot be redeemed at Express stores selling Esso fuel. Pay at Pump, unbranded petrol stations, ROF & T0M. See tesco.com/fuel-promo for full terms and conditions.
MP SARAH Wollaston has joined the Lib Dems, six months after she left the Conservative Party in protest at the government’s handling of Brexit. The MP for Totnes had been sitting as an independent after a brief stint at Change UK.

**ALL CHANGE HERE** Tory defector Sarah Wollaston joins Lib Dems after Change UK

**IN BRIEF**

**EPSTEIN ACCUSER SUES HIS ESTATE AMID PRISON REVIEW**

A New York woman who said she was sexually assaulted by Jeffrey Epstein at the age of 14 sued the disgraced financier’s estate and a former associate yesterday, as prison officials began an internal review of how he died in an apparent suicide last week. In the first of an expected wave of lawsuits, Jennifer Anzal said she had just entered high school in 2001 when an Epstein associate brought her to the financier’s mansion in Manhattan, beginning a grooming process that led to months of sexual abuse including a “brutal rape”. The lawsuit is among the first of a series by women made possible by New York’s Child Victims Act, which opened a one-year window to sue over alleged sexual abuse regardless of when it occurred.

**US REGULATOR BANS APPLE PRO LAPTOPS FROM FLIGHTS**

The US Federal Aviation Administration (FAA) yesterday banned certain models of Apple’s MacBook Pro laptops on flights, after the company recalled select units which had batteries posing fire risks. “The FAA is aware of the recalled batteries that are used in some Apple MacBook Pro laptops,” the agency’s spokesman said in an emailed statement, adding that the agency has “alerted airlines about the recall”. Apple said in June it would recall a limited number of 15-inch MacBook Pro units as their batteries were susceptible to overheating. The units were sold between September 2015 and February 2017. Apple did not respond to a Reuters request for comment. The company’s share price closed down 2.36 per cent yesterday.

**PESO SLIDES FOR THIRD DAY DESPITE MACRI’S MEASURES**

The Argentine peso dropped 7.1 per cent at 60.2 pesos to the dollar in its third straight day of heavy losses yesterday, finding no solace from a package of welfare subsidies and lower taxes for workers unveiled by President Mauricio Macri. The rout in Argentine markets was set off by Macri’s loss by a wide margin to opposition candidate Alberto Fernandez in presidential primaries on Sunday, as it raised risks of a return to interventionist policies under Fernandez if he were to win in the October election. Fernandez yesterday said Macri’s new economic measures were too late and warned that Argentina could run out of foreign currency reserves as it defends the peso. The bank sold $355m (£294m) from its own reserve this week.

**PRUDENTIAL EYES ASIAN BUSINESS**

The UK insurer Prudential today said it is planning to separate its UK business from its Asian business. M&G Prudential, from its Asian and US operations were confirmed by the group’s management team yesterday, in a move that will create a new FTSE 100 company.

Group chief executive Mike Wells said he expects the split to take place in the fourth quarter of 2019.

Wells added: “We believe that the demerger will enable both businesses to maximise their potential performance. Both will have experienced management teams better able to focus on their strategic priorities and distinct investment prospects, as well as improved allocation of resources and greater flexibility in execution.”

M&G Prudential’s name will be changed to M&G plc in the run-up to the split.

Yesterday, the group also posted a 14 per cent rise in operating profits that it said was driven by the company’s Asian business. “Prudential’s 14 per cent rise in operating profit was above analysts’ expectations and the five per cent increase in the dividend will be well received by the market,” said Richard Hunter, head of markets at Interactive Investor, said: “In terms of sheer size and potential, Prudential is likely to rule the roost post-demerger, with the M&G business looking to define a growth path nearer to home.”

“Prudential will be almost entirely focused on the US and Asia – in the former it is a leading variable annuity provider, while the latter is its key growth engine.”

Richard Hunter, head of markets at Interactive Investor, said: “In terms of sheer size and potential, Prudential is likely to rule the roost post-demerger, with the M&G business looking to define a growth path nearer to home.”

**UBER SHARES FALL TO FRESH ALL-TIME LOW A M ID WIDER WALL ST TURMOIL**

**IN BRIEF**

**Summer Offer**

**£20 Off-Peak Day Return London to Whitstable**

Start your Summer story with Southeastern!

**Offer only valid from 24 June 2019 to 18 August 2019.**

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**Rail fares to jump almost three per cent in January after inflation bites**

HARRY ROBERTSON
@hennygrobertson

UK TRAIN fares are set for another substantial rise in January 2020 after the inflation gauge they are based on climbed by a yearly rate of 2.8 per cent in July, according to official figures released yesterday.

Each January, train fares are allowed to rise by as much as July’s retail price index (RPI) measure of inflation. The rise is lower than the 3.1 per cent increase recorded in January this year, which pushed up the prices of some annual season tickets by over £100, but will still cause fares to rise significantly. Many commuters will be angry that their rail fares are set to increase 2.8 per cent in January.

Yet train service providers and industry groups say the rise along with the higher rate of inflation is vital to ensure they can properly maintain the infrastructure. The Campaign for Better Transport has called for price increases to be based on the consumer price index, which is usually lower than RPI. However, the Rail Delivery Group said that “by holding rises down to no more than inflation, government is ensuring that money from fares continues to cover almost all of the day-to-day costs of running rail services.”

**First to replace Virgin on West Coast mainline**

JAMES BOOTH
@jamesbooth1

THE GOVERNMENT yesterday announced that First Trenitalia had been appointed to run the West Coast mainline from December 2019 to 2031. First Group and Italian firm Trenitalia will replace Virgin on the line that runs from London Euston to Glasgow via Birmingham, Liverpool and Manchester.

The First-Trenitalia consortium saw off a rival bid from a Chinese consortium led by Hong Kong’s subway operator MTR.

MTR said it was “very disappointed” at the decision and that it would seek feedback from the Department for Transport as to why it was unsuccessful. The announcement came despite an ongoing review into rail franchising by former British Airways chief executive Keith Williams.

Transport secretary Grant Shapps and Williams approved the partnership, which the Department for Transport said was designed to fit with the direction of the review and to facilitate Williams’ recommendations in due course.

“This award is positive news for passengers, with more services, more direct connections and ambitious plans for a cleaner, greener railway, and also represents a decisive shift towards a new model for rail,” the transport secretary said.

The consortium has promised 263 extra services each week from 2022, the introduction of new environmentally friendly trains and a £17m refurbishment of the existing Pendolino fleet.

Williams said: “This West Coast Partnership delivers for passengers. “It is a step forward that is firmly in line with the review, introducing benefits for passengers today and capable of incorporating the reforms needed for the future.”

The award of the new contract has not been a smooth process and still threatens to boil over into litigation.

Virgin’s partner Stagecoach is currently suing the DfT over the West Coast mainline tender process after it was disqualified for a non-compliant bid.

Mick Cash, the general secretary of the RMT rail union, said First Trenitalia was being “shunted on to the West Coast mainline”. He added that the decision was “another political fix by a government whose privatised franchise model is collapsing”.

**Balfour adds to HS2 concerns by not including project in figures**

ALEX DANIEL
@alexmdaniel

ONE OF HS2’s main contractors has amplified worries the project still may not go ahead, despite the government already having spent billions on the controversial railway.

Britain’s biggest construction company Balfour Beatty, which has been tasked with £5.2bn-worth of work on the £56bn project, said it had not included HS2-related work in its financial results yesterday. “This award is positive news for passengers”.

Yet train service providers and industry groups say the rise along with the higher rate of inflation is vital to ensure they can properly maintain the infrastructure.

**AIR STRIKE**

Ryanair’s Irish pilots to strike next week after union talks hit stalemate

RYANAIR’s pilots in Ireland will strike for 48 hours next week, after talks over the union’s pay proposals failed to bear fruit. The Irish Airlines Pilots’ Association said Ryanair did not table an acceptable counter-proposal before its deadline yesterday.
UK inflation rate overshoots two per cent target

HARRY ROBERTSON
@henrygrobertson

UK PRICES rose more significantly in the year to July than economists had expected, official figures showed yesterday, lowering the chances that the Bank of England will cut interest rates unless the country faces a no-deal Brexit.

The consumer price index (CPI) – the inflation rate that the Bank focuses on – unexpectedly rose to 2.1 per cent in July, the Office for National Statistics (ONS) said. This is above the target rate of two per cent and economists’ predictions of a fall to 1.9 per cent, after a two per cent reading of June.

Assistant head of inflation at the ONS Chris Jenkins said: “The inflation rate increased slightly, with computer games, consoles and hotel prices rising more than they did last year. Conversely, air, international rail and sea fares did not rise by as much as 12 months ago.”

Consumer price index including housing costs rose to two per cent in July, up from 1.9 per cent in June. Jenkins said: “Overall house prices growth was unchanged from May, but in London annual growth was negative once again, decreasing for the 16th month in succession.”

The figures came a day after wage growth in Britain was shown to have reached an 11-month high of 3.9 per cent in the second quarter of the year. Yesterday’s inflation figures mean Britons’ real wages have been eaten into slightly.

In normal times an overshoot of the target rate of inflation would prompt serious consideration of a rise in interest rates.

However, Institute of Directors chief economist Tej Parikh said: “The small increase in inflation may not be enough to jolt the Bank of England away from its wait-and-see strategy on interest rates with Brexit around the corner.”

London house prices continue to slide as Brexit concerns mount

HARRY ROBERTSON
@henrygrobertson

London house prices have continued their slide with a year-on-year fall of 2.7 per cent in June, figures from the Office for National Statistics (ONS) showed yesterday.

The figure marked a slowdown from the 3.1 per cent drop seen in May, however, which was the biggest fall since the financial crisis.

Average house prices in London have now been falling for 17 straight months – each month since March 2018.

Brexit uncertainty has put people off making big-ticket purchases until they can be more sure of the economic and political outlook.

WHAT A CORKER
City grandee Spencer tables bid for Naked fine wine dealer L&W

JAMES WARRINGTON
@j_a_warrington

VETERAN Fleet Street executive David Montgomery is poised to launch a media takeover spree with struggling publisher JPI Media slated as his first major target.

Montgomery has set up a company called National World, through which he is said to be planning a series of deals to snap up struggling newspaper groups.

Industry sources told the Daily Telegraph, which first reported the move, that National World will debut on the stock market via a reverse takeover.

Montgomery, former chief executive of the Mirror Group, is said to be within days of announcing the new venture.

Sources said the media boss’ primary target was JPI Media, the owner of titles including i newspaper and the Yorkshire Post.

JPI is currently in talks to sell some of its assets, with media group Reach among the bidders.

One industry source told City A.M. that Reach had been “knocked sideways” by Montgomery, who has launched a “relentless pursuit” of JPI Media’s titles.
RBS bank competition fund awards £40m to four firms in lending plan

SEBASTIAN MCCARTHY
@SebMcCarthy

FOUR UK fintech firms have been handed a combined £40m from an RBS fund aimed at increasing business banking competition. Atom Bank, Iwoca, Modulr Finance and Currencycloud were awarded the capital yesterday as part of an effort to boost lending and payments services to small and medium-sized enterprises in the UK.

The board of Banking Competition Remedies (BCR), an independent body established to inject £775m from the RBS state aid alternative remedies package, received 76 applications for the latest round in its funding. The fund is a condition of the government’s £45bn bailout of RBS during the financial crisis.

Last month, Atom Bank raised £50m from investors, including under-fire fund manager Neil Woodford, partly to invest more in technology.

Lord Godfrey Cromwell, BCR’s chairman, said: “Now the emphasis is on monitoring each recipient’s reporting and deliverables. Their public commitments can be seen on our website and performance against these will be regularly updated there.”

StanChart eyeing growth in private banking move

SEBASTIAN MCCARTHY
@SebMcCarthy

STANDARD Chartered is set to embark on a recruitment spree in Asia as part of a plan to grow its private banking assets to roughly $100bn (£82bn).

Over the next two to three years the lender is set to hire 30 to 40 private bankers every year to bulk up its private bank assets by 50 per cent, Standard Chartered’s global head for private banking and wealth management Didier von Daeniken told Reuters.

Daeniken said: “Our ambition is to see cross the $100bn mark. That makes us meaningful internally for the group, that makes us a meaningful player in this landscape... Hitting $100bn can give us credibility internally, help us to attract talent.”

The lender’s senior executive added that the private banking unit had come a long way, “but the task before us is as difficult because we really have to maintain the momentum in a difficult market environment”.

With most of the new jobs expected in Hong Kong and Singapore, the London-based bank is planning to hire in more of the firm’s corporate and institutional banking clients within Asia.

“With $65bn we are definitely not among the largest, but we are part of a company with a large balance sheet, with an unmatched presence locally in all the markets, which really matters when you cover the emerging markets,” Daeniken added.

The comments come several weeks after the lender posted a three per cent rise in pre-tax profits to £1.99bn, topping analyst estimates.

Standard Chartered warned that the current trade war between China and the US would “continue to reverberate” in 2019.

However, chief executive Bill Winters said in an earnings call that the impact of the trade friction had been “pretty limited” so far.

StanChart’s private banking business, which offers services to wealthy individuals across the globe, made up just under four per cent of total profit during the first six months of this year.

The firm’s private banking business posted pre-tax profits of $100m during the first half of the year, rising from a loss of $5m in the previous year.

Supporting City Giving Day

Why are you supporting CGD?

The BSB has supported CGD since we launched in 2015. It’s a great opportunity to join firms across the City to fundraise, celebrate the charitable work done by staff throughout the year and have fun. This year we are raising money for Auditory Verbal UK and the Lord Mayor’s Appeal.

Which charities do you support?

AVUK does amazing work to raise expectations and outcomes for deaf children. Founded in 2003, AVUK has grown to be the leading provider of Auditory Verbal therapy in the UK, approximately 80% of children who graduate from their programme achieve language appropriate for their age and most attend mainstream school.

How will you celebrate CGD?

The BSB has a full day of activities planned, including: ‘Going Red’ again; selling a range of home-baked goodies to colleagues in the office; learning more about the City while also stretching our legs on the CGD City Walk; and finally, holding a charity quiz in the evening.

AVUK was chosen by the BSB team as our Charity of the Year for their amazing work to raise expectations and outcomes for deaf children.

“We’re so grateful to everyone at the BSB for supporting our work at Auditory Verbal UK to create a sound future for deaf children.”

Anita Grover, CEO - AVUK
RETURN OF THE MAX

Indonesia’s Lion Air ‘urgently' needs more jets for growth

INDONESIAN airline Lion Air “urgently requires” more Boeing 737 Max jets, after two crashes involving the model – one of which was a Lion Air jet – left the entire global fleet grounded in March. Co-founder Rusdi Kirana said it was to support growth.

Admiral income hurt by updates to payout rules

CAR INSURER Admiral has taken a £33.3m hit to its profits following the introduction of changes to how compensation for those injured in accidents is calculated.

In July, the government changed the Ogden rate, which governs how much insurers pay people seriously injured in car accidents. Admiral said yesterday the changes had cut its first-half profit by £33.3m. It reported a pre-tax profit of £218m, a four per cent increase on the same period last year.

The insurer said it expects the total impact of the new Ogden rate on full-year profit to be approximately £50m to £60m. Customer numbers rose eight per cent to 6.74m, driven by a 21 per cent increase in international car insurance customers to 1.36m by the end of the first half.

Chief executive David Stevens said the group’s results were “a bit dull”, cautioning: “If it’s a can’t-put-down, read-in-one-go page-turner that you’re after, then I’m afraid our half-year results don’t fit the bill.” Nevertheless, Stevens found some things to be enthusiastic about. “Profit growth, even if modest, is more exciting considering the £33m Ogden headwind,” he said.

Shares rose four per cent yesterday.

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FORUM

Fares have risen twice as fast as wages

CAT HOBBS ON RAIL NATIONALISATION PAGE 17

INDONESIAN airline Lion Air “urgently requires” more Boeing 737 Max jets, after two crashes involving the model – one of which was a Lion Air jet – left the entire global fleet grounded in March. Co-founder Rusdi Kirana said it was to support growth.
Court blocks private prosecution over Johnson’s Brexit bus pledge

Catherine Neilan

A campaigner attempting to crowdfund a private prosecution against Boris Johnson for misconduct in public office over the claims made on the side of his Brexit battle bus during the 2016 referendum has lost his bid to take the case to the UK’s Supreme Court.

Marcus Ball was seeking to bring a claim that Johnson should face charges. But that was overturned by the High Court, after judges ruled that the decision was flawed.

“This is a case of alleged misconduct in public office against the prime minister of the United Kingdom concerning repeated lies about the spending of the public purse,” Ball said in a statement.

“It concerns the duties of Members of Parliament and mayors of London and as such goes to the heart of the United Kingdom’s democratic process and public trust in it.”

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• Types of trader - learn what type of trader YOU are
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16 August 2019
Level39, One Canada Square,
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Registration at 8:30am, 9am start. To conclude no later than 4pm. Refreshments will be provided on the day (lunch will not be provided).

The course will be led by Currencies & Indices Trader, Henry Ward, who boasts two decades of trading experience, risk management and market analysis.

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Lookers profits splutter as sales probe costs rise

Alex Daniel

@alexmdaniel

PROBLEMS continue to mount for British car dealership Lookers, as the London-listed firm yesterday said it expects costs to rise as it addresses issues found with its sales practices.

The small cap firm posted a sharp drop in profit for the first half of the year. Lookers was seeking to bring a claim that Britain would be £350m a week better off after leaving the EU.

The claim, which earned a rebuke from the chair of the UK Statistics Authority as “a clear misuse of official statistics”, was seen by many as critical to the Leave victory.

In May, a magistrate ruled that Johnson should face charges. But that was overturned by the High Court.

Hochschild hit by falling silver prices in tough first half of year

August Graham

MINER Hochschild faced a tough first half of the year as low silver prices put pressure on profit.

The company said sales of the metal dropped by nearly 360,000 ounces to 10.2m. Meanwhile, silver prices fell 7.4 per cent from the beginning of 2018, hitting $15 in the six months to the end of June.

Its post-exceptional pre-tax profit fell as a result, hitting $29.5m (£24.4m), a drop of nearly £10m.

Meanwhile, revenue fell 4.8 per cent to $151.7m over the period. Hochschild revealed yesterday. But chief executive Ignacio Bustamante was upbeat on the news, calling the operational performance “strong.”

The company reached “the second highest level of production in our history and solid cost control leaving us firmly on track to meet our 2019 goals,” Bustamante said.

After recent price hikes in gold and silver, the firm expects cashflow to improve in the second half.
Record high for venture capital firms in the UK

SEBASTIAN McCARTHY

VENTURE capital (VC) funding in the UK has hit a record high during the first half of this year, bolstered by a growing appetite for tech investments.

Funding in VC rose to £4.3bn during the first half of 2019, rising 45 per cent on the same period last year. The average deal size for UK VC investment doubled to £5.9m in the first half of the year with 724 deals recorded, falling from 1,147 in the first six months of 2018 as investors favoured larger but fewer rounds.

Technology has been the clear winner, attracting 60 per cent of all VC funding over six months, rising year-on-year from 44 per cent.

According to the findings, collated by Savills-serviced office venture called Workthere, the increased VC investment has generated growth in flexible office take up this year, there is a trend that is really popular sector for VC investors. In particular, the sub-sector that is really growing is fintech, which has accounted for eight out of the top 10 funding deals so far this year, compared to just three last year,” said Jessica Alderson, global research analyst at Workthere. “Moving forward, this is definitely an interesting sub-sector to watch in terms of expansion outside of their primary London offices into wider UK markets.”

London enjoyed a particular boost in VC activity, with an 81 per cent rise in investment.

Freddie Ward, associate director at Workthere, said: “While overall VC investment in the UK has outpaced investment in the US this year, there are some very obvious exceptions in the form of London, Aberdeen, Edinburgh and Cambridge, where there seems to be a distinctive link between the two figures.”

Henderson Park buys Irish real estate fund Green Reit for £1.3bn

JAMES BOOTH

It put itself up for sale in April because its shares were trading at a discount to the value of its property portfolio. The acquisition represents a premium of approximately 24.7 per cent to Green Reit’s closing share price of £1.534 on 11 April – the last day before the announcement of a sale process.

JORDAN MATTIS, Tottenham Hotspur Foundation

Last year, it was all about healthcare, but this year tech is the most popular sector for VC investors. In particular, the sub-sector that is really growing is fintech, which has accounted for eight out of the top 10 funding deals so far this year, compared to just three last year,” said Jessica Alderson, global research analyst at Workthere. “Moving forward, this is definitely an interesting sub-sector to watch in terms of expansion outside of their primary London offices into wider UK markets.”

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Green Reit floated in 2013 as Ireland’s property market started to recover from the financial crisis that hit the country hard following the global recession of 2007-08. Since then, it has become one of the leading real estate investment groups in Ireland, with a focus on income-generating properties in the retail, office and industrial sectors.

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JORDAN MATTIS, Tottenham Hotspur Foundation
Government sets out the scope for its probe into National Grid outage

AUGUST GRAHAM @AugustGraham

THE GOVERNMENT has laid out its plans to probe National Grid over a blackout that left almost 1m homes without power and closed two major train stations in London last week.

The Energy Emergencies Executive Committee will look into whether National Grid, which runs most of Britain’s power network, took the right steps after the power cut.

The committee will also examine what caused the outage, and how to avoid a repeat. It will report to business secretary Andrea Leadsom within the next three months.

She said: “National Grid has already confirmed that the incident was not linked to the variability of wind power, a clean, renewable energy source that the government is investing in as we work towards becoming a net zero emissions economy by 2050.”

Engineers are currently battling to figure out what happened on Friday, when the lights went out across parts of England and Wales.

The outage is thought to have happened when a gas-fired power station in Bedfordshire disconnected from the grid at the same time as the Hornsea wind farm. The grid lost around five per cent of demand.

As a result, frequencies on the grid changed more than the system could cope with, triggering the Grid’s automatic backup protection system. It then disconnected certain customers to protect supply elsewhere.

Rookie vets are Britain’s highest paid graduates

JAMES WARRINGTON @j_a_warrington

WITH tuition fees on the rise, the prospect of a well-paid graduate role is becoming even more attractive for UK university students.

As thousands of nervous students open their A level results today, new data has revealed which degrees promise the biggest pay packets.

Research by job site Indeed today showed vets are the university top dogs, with veterinary science students commanding an average salary of £31,636 on graduation.

Close behind them are property management consultants, who enjoy a typical starting salary of £31,362. Student development operations engineers came in third place, with a pay packet of £30,593.

The findings also highlight the rapid growth of the UK’s tech sector – and the salaries it is willing to pay to attract top talent – with four of the top 10 best-paying roles in coding and development.

Overall, the UK’s top graduates can expect to enjoy a good salary straight after university, with eight of the top roles paying more than the average UK salary of £29,500 a year.

Global car rental giant Enterprise emerged as the most prolific recruiter of new graduates, accounting for nearly one in 40 job postings on Indeed.

Graduate scheme mainstays PwC and KPMG also made it into the top 10.

However, a survey published last month by Glassdoor suggested traditional finance roles are often still the top earners for graduates.

The employment review website’s figures showed graduate investment banking jobs have a median starting salary of just over £50,000.

But technology jobs again dominated the rankings, suggesting that students with skills in science, technology, engineering and maths – also known as STEM fields – may be best placed to launch their careers in a lucrative sector.

Tencent’s profit rises after long China ban lifted

JAMES WARRINGTON @j_a_warrington

CHINESE tech giant Tencent has reported a 35 per cent rise in profit for the second quarter as growth in its gaming division returned after a lengthy regulatory ban.

The firm has suffered a string of disappointing quarterly results after Beijing imposed a nine-month freeze on licences for new online games.

It beat analysts’ estimates to post profit of 24.1bn yuan (£2.8bn) over the quarter, while revenue rose 24 per cent to 88bn yuan.

The figures were driven by a 26 per cent rise in revenue from smartphone games, as Tencent released 10 new titles after licensing resumed.

However, it was not all plain sailing, as growth from online advertising revenue slowed amid a weakening Chinese economy and fears of a trade war with the US.

“In recent months, we have accelerated our rate of innovation in games, releasing successful new titles in several different genres, introducing new play modes, and extending our popular season passes,” said chief executive and chairman Ma Huateng.

“Amid the evolving macro-economic and competitive challenges, we continue to invest in enhancing our platforms, services and technologies, for better supporting our users and enterprise customers.”

The number of electric car charging points in UK surpasses fuel stations

JAMES WARRINGTON @j_a_warrington

THE NUMBER of electric car charging points in the UK now numbers petrol stations, as an increasing number of Brits turn to electric vehicles (EVs).

There are now 9,300 charging locations, compared to 8,400 petrol stations, according to data released today by Nissan.

The milestone comes less than a century after the UK’s first fuel station opened in November 1919 in Berkshire, and ahead of Nissan’s previous prediction of August 2020.

Transport for London has installed more than 1,000 EV charging points in the past year, with the introduction on the new Ultra-Low Emission Zone prompting many London drivers to switch to zero-emission cars.

Kalyana Sivagnanam, managing director at Nissan, said: “Many consumers are saying their next car will be electric. That means the industry needs to ensure their desires are met with both the car – how far it can go – and the technologies it has – and how it interacts with the world around it – where they can charge and how convenient that is for them.”

“We’ve moved beyond the early concerns of range anxiety with EVs now exceeding the vast majority of customer’s daily driving needs.”

On a charge: An increasing number of Brits say their next car will be electric.

Canada Goose margins weaken as lightweight clothes hurt sales

JAMES WARRINGTON @j_a_warrington

CANADA Goose reported a slip in its gross margin for the first quarter yesterday, as it increased sales of its less profitable lightweight clothes.

The Toronto based firm, best known for its luxury parka jackets, increased its revenue by 59 per cent to CA$71.1m (£44.3m), while its net loss widened to CA$29.4m.

But shares in Canada Goose dropped eight per cent as investors were spooked by a drop in profit margin, from 64 per cent in 2018 to 57.5 per cent.

The retailer said the narrower margins were sparked by higher sales of clothes in its non-parka lines.

“Canada Goose has branched out into lightweight jackets and raincoats in recent years in a bid to boost seasonal sales and counteract growing opposition to its parkas, which are made with real coyote fur,” said chief executive and president Dani Reiss.

“Tencent has suffered a string of disappointing quarterly results after Beijing imposed a nine-month freeze on licences for new online games. But technology jobs again dominated the rankings, suggesting that students with skills in science, technology, engineering and maths – also known as STEM fields – may be best placed to launch their careers in a lucrative sector.”

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**LONDON REPORT**

**FTSE100 slips as recession fears grip the market**

The FTSE 100 tumbled to its lowest in more than two months yesterday after the yields on 10-year US and UK government bonds fell below two-year equivalents for the first time since the financial crisis, signalling mounting fears of recession.

The blue-chip index, already under pressure from weak Chinese data, ended down 1.4 per cent, to 7,147.88 points. The FTSE 250 fell 1.5 per cent, to close at 18,731.05, a six-month low.

For the FTSE 100, which has fallen 5.8 per cent so far this month, this would be its steepest monthly decline in four years if it remains at that level for the rest of August.

Some analysts played down recession fears, saying central banks could again ride to the rescue.

“Quite frankly, this seems a little like a tempest in a tea pot,” CMC Markets analyst Michael Hewson said.

“It’s quite possible that we see a recession towards the second half of next year at the earliest. I wouldn’t say it’s the beginning of the end here,” IG Markets analyst Chris Beauchamp said.

Upbeat corporate earnings helped some individual stocks. Admiral rose 4.1 per cent on its best day in over two years after the insurer posted a bigger-than-expected rise in earnings, driven by more customers in its UK business.

Balfour Beatty jumped 9.3 per cent, its biggest one-day rise in more than 10 and a half years, after the infrastructure company reported a leap in profits and upgraded its annual cash forecast.

Cybersecurity firm Avast climbed 8.7 per cent after it said revenue growth would be at the upper end of its target.

However, blue-chip Prudential slipped 4.1 per cent to its lowest since January after the insurer, which has a sizeable Asian business, said it was monitoring the protests in Hong Kong.

Sports Direct shed 10 per cent after the retailer said its auditor Grant Thornton had quit. Later in the day, Mike Ashley’s company said it was “comfortable” with its latest accounts.

**BEST OF THE BROKERS**

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

**TOP RISERS**

1. Admiral
   - UP 4.08 per cent
2. Direct Line
   - UP 1.23 per cent
3. Unilever
   - UP 1.22 per cent

**TOP FALLERS**

1. Melrose
   - DOWN 5.75 per cent
2. Erzur
   - DOWN 5.21 per cent
3. NMC Health
   - DOWN 4.88 per cent

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**NEW YORK REPORT**

**Dow plunges in worst day of trading of 2019**

ALL Street sold off sharply yesterday as recession fears gripped the market after the US Treasury yield curve temporarily inverted for the first time in 12 years.

All three major US indexes closed down about three per cent, with the blue-chip Dow posting its biggest one-day point drop since October after two-year Treasury yields surpassed those of 10-year bonds, which is considered a classic recession signal.

The Dow Jones industrial Average plunged 800.49 points, or 3.05 per cent, to 25,479.42, the S&P 500 lost 85.72 points, or 3.03 per cent, to 2,840.6, and the Nasdaq Composite dropped 242.42 points, or 3.02 per cent, to 7,737.26.

Dire economic data from China and Germany suggested a faltering global economy, stoked by the increasingly belligerent Sino-American trade war, Brexit woes and geopolitical tensions.

Germany reported a contraction in second-quarter gross domestic product, and China’s industrial growth in July hit a 17-year low.

“It was all negative and not much positive today,” said Chuck Carlson, chief economic officer of Horizonvest Investment Services in Hammond, Indiana.

“We’re outside of the earnings season and markets are being batted around by news. It’s a reactionary market right now and probably will continue to be,” Carlson added. “My guess is probably in for this until after Labor Day.”

The CBOE volatility index – the Fear Index – a gauge of investor anxiety, jumped 4.58 points to 22.10.

Macy’s shares plunged 13.2 per cent after the department store operator missed quarterly profit estimates and cut its full-year earnings estimates.

Rival department store operators Nordstrom and Kohls slid 10.6 per cent and 11.10 per cent, respectively.

Facebook slid 4.6 per cent on news that the European Union’s lead regulator is investigating how the social media company handled data during the manual transcription of users’ audio recordings.

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**MOSS BROS**

Men’s tailoring giant Moss Bros has appointed Avis Darzins (pictured) as a non-executive director, effective 1 September 2019. Moss Bros has announced also that Maurice Helfgott, in line with good corporate governance following nine years’ service, will no longer be an independent non-executive director from 1 October 2019, when the role will be handed over to non-executive director Alex Gersh. Maurice will stay on the board until the annual general meeting in May 2020. Avis joins from Accenture, where she was for eight years as a partner focusing on the retail and consumer products sector. She delivered successful engagement with many well-known national and international brands such as Gap, where she delivered the infrastructure to enable it to launch its Banana Republic brand on to the UK high street. While also at Accenture she led numerous projects for Sainsbury’s, including shaping and leading the first phase of a performance improvement programme focused on delivering the customer promise in the retailer’s top 50 stores. Avis also founded her own management consulting practice in 2013 following four years as director of business transformation at British media and telecoms corporation Sky.

**MULLENLOWE GROUP UK**

Danny Donovan has been appointed UK chief executive of Mullenlowe Mediabour, the global planning and buying arm of marketing communications network Mullenlowe Group. Starting 1 November, Danny will oversee the UK Mediabour team, which specialises in challenger brands and reinventing how to reach consumers. He will form part of the global leadership team and work closely with John Moore, global president of Mediabour, and Jeremy Hine, the chief of Mullenlowe Group UK. Danny has a career spanning 30 years in media agencies. Most recently, Danny spent almost nine years in the Mediacom UK leadership team, and has numerous awards to his name including those for IPA and Cannes.

**QUINN EMANUEL URQUHART & SULLIVAN**

Mark McNeill will join Quinn Emanuel Urquhart & Sullivan as a partner in the business litigation and arbitration firm’s New York office. For two decades, Mark has represented firms and states in numerous commercial and investment treaty arbitrations on issues such as intellectual property, technology, nuclear construction, pharmaceuticals, oil and gas, taxation, mining and insurance. Mark joins from Shearman & Sterling in London, where he was a part of the international arbitration practice. Before joining Shearman & Sterling, Mark was a leading international arbitration attorney in the office of the legal adviser of the US Department of State, where he represented the US in investor-state arbitrations under the investment chapter of the North American Free Trade Agreement.

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### FTSE 100

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### FTSE 250

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OFFICE POLITICS

You don’t have to be pale and male to have a career in money

On A-level results day, let’s remember that university isn’t a prerequisite for success...

Today, hearts will be pounding, as young people across the country receive their much anticipated A-level results. Many will be taking up university places, but others will be looking to take their first steps into full-time work.

Traineeships can offer school leavers the opportunity to gain paid experience that can lead them, debt-free, into full-time employment.

Sadly, too few young people know about the career opportunities that the investment management industry has to offer. Part of this is up to us to fix, by doing more to change perceptions about who we are and what we do as an industry.

When we’ve spoken to young people about how they view jobs in financial services, the words they often included “stressful” and “stuffy”.

Worryingly, a third said they felt they would not fit in, with the majority identifying the typical employee within financial services as a male, white graduate. Only a handful thought they could find a job in financial services straight from school.

Busting these myths and challenging perceptions is something the Investment Association is working hard to address through Investment20/20, our industry’s grassroots careers service.

Over the past six years, the service has helped more than 1,400 trainees start their careers in investment management. Half of those have done so straight out of school.

It is not necessary to have gone to university or be a maths whizz to find a job in the investment sector. And you certainly don’t need to be white, male or privately educated. In fact, half of the school leavers who took part in our traineeship programme last year were female, a third were black or from an ethnic minority background, and over 80 per cent were from state schools.

From a commercial perspective, we know that diversity of thought leads to better decisions from the investment floor and the way our businesses are run. It’s also important that our industry looks more like the people we serve - Britain’s savers.

To hire for potential, firms need to examine the way they recruit. That means looking again at the language used in job adverts to ensure it is gender-neutral. It also means going beyond the script in interviews to understand the skills a young person can bring to a role besides relying purely on their academic achievements.

Life experience can also be an indicator of future success, equivalent to grades. Young people who have managed to juggles a part-time job alongside their studies have the eagerness to learn and resilience to succeed in our industry.

A university degree is certainly not a prerequisite for business success.

As parents and employers watch images of young people up and down the country celebrate or commiserate their A-levels results, let us make sure that we are nurturing their talent in modern-day Britain by looking beyond perceived traditional routes into financial services.

And for students getting their results today, there is #NoWrongPath into your future career.

Karis Stander is managing director of Investment20/20.

SHAUN OF THE DEAD

You get home after a long day in the office to find your son Shaun shouting at the TV screen again. He has spent so many hours killing virtual zombies that he is starting to look like a zombie himself.

“It’s time for you to get a job,” you declare, but he can’t hear you because he’s wearing his noise-cancelling headphones.

You download a number of job vacancy apps onto his phone and sign him up. Jora is a good one.

It is not necessary to be a maths whizz to find a job in financial services, the words they often included “stressful” and “stuffy”.

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Big business is invading the co-working world and it’s bad news for entrepreneurs

Jonathan Hausmann

N RECENT years, the co-working market has exploded. It has become like a big business. Work, one of the earlier entrants to the space, is now valued at $4.7bn and is preparing for an initial public offering. The total number of sites and seats available is estimated to have roughly doubled each year since 2009. 

Companies have been creating office space to offer smaller businesses and entrepre-neurs a less expensive and more flexible alternative to renting long leases for commercial office space. So surely it is good news for this demographic that there are now so many spaces available? Unfortunately, it is becoming increasingly apparent that this may not be the case.

In February, we launched The Coalface, a co-working space in Finsbury Park. It’s perhaps not the most obvious location for a busi-ness hub, but the decision to base ourselves here stemmed from our understanding that co-working sites in more central locations were starting to become unhealthy for many.

Since we opened our doors, feedback from our members has shown that we were right. Most have prev-iou-sly worked in co-working of-fices in more central locations. The same stories keep coming back to us: “these spaces just aren’t friendly to small businesses anymore”, “we were priced out”, “they were just too far away.”

And herein lies a major issue: the people that you would imag-ine are filling the multitude of co-working sites across London – tech entrepre-neurs, designers, freelancers – are being edged out by giant corporations.

Big companies have clogged the value of offering their staff a hip, trendy office as an alternative to the corporate, homogenised City sites they have occupied for decades. It’s good for their image, it’s good for re-
Boris Johnson’s criminal justice announcements this week are red meat for determined voters. Having fallen off the radar in the past five years, people are now more concerned by crime than any other issue other than Brexit – and it happened on the Tory’s watch. Bad news for the party of law and order.

Over the past decade, the new Prime Minister is seeking to rapidly repopulate his government. He wants “tougher sentencing laws”, ensuring more offenders go to prison, for longer.

After a succession of reforming (Conservative) justice secretaries, the new proposals are a return to the “prison works” philosophy of Michael Howard. “My job,” Boris declared outside Downing Street, “is to make your streets safer.

And what could make the streets safer than locking up all the criminals? Many things, actually. It’s a myth that Britain has become “soft” on crime. The prison population in western Europe is now smaller than it was a decade ago, and the UK has the highest per capita incarceration rate of any country in the world. In America, the capital of lock-em-up-and-throw-away-the-key prison policy, significant reductions in incarceration have occurred at the same time as the crime rate has declined. New York is a case in point: the prison population has been declining for a decade, and crime is at its lowest level since the mid-1970s.

That’s not to say that prison doesn’t have an important role to play in punishing offenders – some people should clearly be behind bars, and some of those probably shouldn’t even be released. But a general policy approach centred around the notion that prison works is a nonsense. It’s also an unforgivable waste of taxpayers’ money. The direct cost of a prison place is over £26,000 per year. Prisons are crying out for investment to tackle overcrowding and improve safety among the current – high – population. Local services like children’s mental health, alternative school provision, women’s refuges, and targeted youth programmes are all in desperate need of funding.

Investment in any of these would help prevent offending and be cheaper than locking more people up. So, which is it Mr Johnson: do you want to look like you’re being tough on crime, or actually be tough on crime? If it’s the latter (and it should be), a change of tack is needed.

Charlotte Pickles is director of the think tank Reform.

The justice system is not giving criminals an easy ride – particularly when 62 per cent of prisoners are overcrowded and violence is at record levels. And the issue isn’t just the impact on criminals – it’s about the public too. In some instances, looking tough has trumped making us safer.

Evidence clearly shows that short prison sentences of 12 months or less lead to higher reoffending rates than community sentences. Yet despite this, use of the latter has halved over the past decade. More offenders have gone to jail, but in the process we’ve created more victims.

The former justice secretary David Gauke understood this and was intending to end short sentences. In true populist fashion, Boris is considering scrapping that evidence-based reform.

The Prime Minister’s enthusiasm for even longer sentences is also ill-conceived. There is little evidence that making already lengthy sentences longer or more punitive deters criminals. That shouldn’t be all that surprising given that offenders tend to value the short term more than the long term. Ignoring this logic, Boris has called specifically for tougher sentences for those who carry knives.

He might want to consider what one young Londoner once told me: “I wouldn’t be thinking about six years in prison, I’d be thinking about being six feet under.”

Boris could also look at evidence from across the pond. In America, the capital of lock-em-up-and-throw-away-the-key prison policy, significant reductions in incarceration have occurred at the same time as the crime rate has declined. New York is a case in point: the prison population has been declining for a decade, and crime is at its lowest level since the mid-1970s.

What could make the streets safer than locking up criminals?

Many things, actually:

COMPETITION, unlike monopoly public or private ownership, drives down prices and pushes up quality. An Adam Smith Institute report found that where open access currently exists, fares are up to 55 per cent cheaper and have the highest passenger satisfaction rates.

There are smarter solutions than a clunky, bureaucratic, and stagnant nationalised railway system.

rail nationalisation should be kept where it belongs in the dustbin of history. It was an absolute disaster: passenger journeys declined from one billion to 750m under nationalisation between 1948 and 1959. Since privatisation, they have more than doubled to 1.7bn. Train stations are faster. Billions have been spent upgrading infrastructure. Train companies have innovated, adopting new technologies like wifi and online ticket purchases.

The monopoly franchise system is not perfect, and means that most train companies will increase their fares by the maximum allowed (2.8 per cent next year following the RPI inflation rate) without consequence. We should therefore allow rail companies to compete on the same line (running trains at different times), in a system of open access.

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Our summer quiz offers a test of your knowledge of holiday-related trivia through an economics lens.

1. Which of the following cities is the most popular destination for international travellers?
   A) Paris
   B) Bangkok
   C) London
   D) New York

2. Where is the cheapest place to buy a Big Mac for a traveller carrying dollars?
   A) Russia
   B) Argentina
   C) Brazil
   D) Vietnam

3. The Romans were early pioneers of tourism. If an occupant of Londinium (now called London) in the Roman period wished to escape the stresses and strains of city life and travel to Malaca (now called Malagha) in the south of Spain for a summer break, how long would the journey take?
   A) 9 days
   B) 17 days
   C) 62 days
   D) 90 per cent

4. In which of the following European beach resorts is a basket of nine typical tourist items, including sun cream, an evening meal and a bottle of lager, cheapest?
   A) Algarve, Portugal
   B) Marmaris, Turkey
   C) Sunny Beach, Bulgaria
   D) Benidorm, Spain

5. A number of companies such as Virgin Galactic and Blue Origin are developing a space tourism offering. How much did the first self-funded space tourist, Dennis Tito, pay for his eight days on the International Space Station in 2001?
   A) $25m
   B) $51m
   C) $134m
   D) $941m

6. In 2017, $68.5bn of duty-free goods were sold around the world, according to figures compiled by the World Duty Free Council. According to price comparison website PriceSpy, what percentage of products sold by duty-free shops could be purchased more cheaply online?
   A) 15 per cent
   B) 30 per cent
   C) 60 per cent
   D) 90 per cent

7. With recent sterling weakness, taking a staycation has never been a more attractive option. Which of the following is the sunniest holiday destination?
   A) Isle of Wight
   B) Penzance
   C) Bognor Regis
   D) Poole

8. What is the busiest airport in the world?
   A) Atlanta-Hartsfield-Jackson, USA
   B) London Heathrow, UK
   C) Paris-Charles de Gaulle, France
   D) Beijing Capital International, China

9. Which of the following countries’ passports allows visa-free access to the most countries?
   A) Japan
   B) South Korea
   C) Switzerland
   D) Finland

10. In which of the following travel destinations do British visitors spend the most during a single visit?
    A) Australia
    B) New Zealand
    C) Thailand
    D) South Africa

ANSWERS

1. A
2. B
3. B
4. A
5. D
6. D
7. C
8. B
9. A
10. B
Adrian endears himself to his new club with decisive penalty save, writes Felix Keith

A

DRIAN played just five times for West Ham last season — all cup games, the last of which was a miserable FA Cup defeat against AFC Wimbledon in January.

Over the summer he was without a contract, training alone. Fast-forward to just his second game for Liverpool, and his first start for his new club after an injury to Alisson, and he was the hero, saving the decisive penalty to win the European Super Cup 5-4 on spot-kicks.

Considering he’d had what he called a “crazy week” and had earlier conceded a penalty in extra-time to bring the score back to 2-2, forcing the shootout, it was a fitting end to a long night in Istanbul.

Tammy Abraham was the unfortunate Chelsea player to miss, but ultimately the story was of another trophy for Liverpool in the city of their most famous victory.

PULISIC IMPRESSIVE

Replacing Eden Hazard in a transfer window in which your new club could not sign any other new faces was a tough gig for Christian Pulisic to land.

But when you’re a £60m wonder-kid you are used to coping with expectation, and judging by his competitive debut Pulisic is ready to accept the challenge.

Still only 20, the American attacking midfielder showed what he is all about in this game, buzzing around on the left of Chelsea’s 4-3-3 formation and linking well with left-back Emerson Palmieri.

He showed his positional sense and skill to drag the Liverpool defence towards him before feeding Olivier Giroud with a reverse pass to score the opening goal.

Liverpool’s high defensive line struggled to cope with Chelsea at times and it was frequently Pulisic causing the problems. A starting role in Frank Lampard’s side now seems a given.

FIRMINO’S IMPACT

As good as Pulisic was, he didn’t have the quickest impact on the game, with that accolade going to Roberto Firmino, who came off the Liverpool bench at half-time to great effect.

Chelsea had much the better of the first period but it was Firmino’s introduction which tipped the scales straight after the break, the Brazilian striker latching onto Fabinho’s pass in the build-up to Sadio Mane’s bundled-in equaliser.

Firmino gave Jurgen Klopp’s side a focal point they’d be missing, with the Reds fashioning several chances immediately following his arrival.

With Mohamed Salah and Mane generally grabbing most of the goals and the attention, it’s easy to forget the vital role their central foil plays.

Chelsea might lack attacking threat, central midfielder, it looked like

TIRED LEGS

The importance of the Super Cup was called into question in the build-up to the match and after it drifted into extra-time, with the temperature and humidity still high past midnight in Turkey and players drooping to the turf with cramp, that debate became more understandable.

For Southgate, however, it will mean more options at his disposal. Although Chelsea have the luxury of a Sunday afternoon kick-off against Leicester, Klopp’s side travel to St Mary’s Stadium next to face Southampton at 3pm on Saturday.

Despite the exhilaration of victory, Istanbul is a fair distance to have to travel for a midweek game sandwiched in between the first two Premier League fixtures of the season and time will tell if the match has a fallout.

Liverpool captain Jordan Henderson was supposed to be rested, but an injury to Naby Keita on Tuesday meant he had to play all 120 gruelling minutes.

What this all means for Premier League clubs, which will find themselves restricted in the transfer market, and for the competition itself, which may see its international appeal dimmed if fewer global stars flock here, remains uncertain.

For Southgate, however, it will mean more options at his disposal and the chance to truly test his conviction that England’s production line is now as good as any on the planet.
ENGLISH: BACK IN VOGUE?

More homegrown players in Premier League is a sign of what’s to come. By Frank Dalleres

T HAT is a conundrum that we have to solve,” said Gareth Southgate in December last year, addressing the increas-ingly marginal status of Eng-lish footballers in the Premier League. The England manager was speaking after the number of native players hit an all-time low, with just 54 of the 220 who had been named in starting line-ups the previous weekend being Eng-lish or England-qualified.

That figure represented just 24.5 per cent in 1992-93, the first season of the Premier League era. Southgate must have been encour-aged, then, by last weekend’s team-sheets for the opening matches of the new top-flight season.

The 83 Englishmen in starting XIs was the highest number for a first round of Premier League fixtures for nine years. Particularly heartening was the pic-ture at the so-called Big Six clubs, where competition for places is stillest: 22 of the 66 starters were Eng-lish, the highest proportion since the 2016-17 season.

PRODUCTION BOOM

Among a number of possible factors at play here is the now widely ac-cepted improvement in quality of young English players.

That was in evidence in 2017, when England’s age-group teams all but swept the board at international tour-naments, winning the under-17 and under-20 World Cups and the under-19 European Championships.

This production boom has seen canny clubs in other European leagues, notably Germany, offer Eng-lish youngsters such as Jadon Sancho, Ademola Lookman and Reiss Nelson the first-team chances so hard to come by at home.

Last week’s selections are also the product of different circumstances at the individual clubs.

Chelseas have used a transfer ban to pivot towards youth and give acad-emy products Tammy Abraham and Mason Mount – player of the tourna-ment in the U19 Euro success – an op-portunity to break through.

Manchester United have begun prior-i-sing emerging domestic talent such as Aaron Wan-Bissaka and Daniel James over big-name foreign signings, while Arsenal are turning to euros to start games in place of Willock, Nel-son and Calum Chambers.

The ramifications are many but no barrier to most signings, while the Englandman count will surely drop off again when Arsenal manager Unai Emery deems the likes of Mesut Ozil, Nicolas Pepe and David Luiz ready to come by at home.

The horizon and drawing ever closer, however, is the prospect of a no-deal Brexit likely to have a pro-found effect on how Premier League clubs do business and populate their squads.

It explains that for a number of rea-sons, described below, the opportuni-ties for domestic players at England’s