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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

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Britain's best-selling financial magazine

From the editor-in-chief...

The implosion of an over-leveraged hedge fund. An insanely overpriced initial public offering (IPO). A near-record cyclically adjusted price/earnings (CAPE) ratio on the S&P 500. An Uber driver gushing about the potential of AI. Three people telling bearish value investor Jeremy Grantham that he had big ears in the comments section of a recent podcast.

These are all clues: events or facets typical of the peak of an investment bubble. We have had 400 years of bubbles, starting with the Dutch tulip mania of the early 17th century. It is easy enough to pinpoint how absurdly overstretched valuations become (both in markets and for stocks entering the market, such as SpaceX); how hedge-fund investors who should know better (see page 4) start to take too many risks; and how the true believers in the frenzy of the time, in this case AI, become very rude to sceptics.

Howard Marks of OakTree Capital Management noted before the dotcom bubble burst that "every cocktail-party guest and cab driver just wants to talk about hot stocks and funds", echoing the tendency of shoeshine boys in the late 1920s to give their customers stock tips.

©Getty Images

"Cheap British small caps are about as anti-AI a trade as you can get"

You can't time the market

Still, we can never tell exactly when the bubble will burst. Marks was speaking in 1996, not 2000. The hedge-fund busts at Bear Stearns that shocked the world before the global financial crisis occurred in mid-2007, quite a long time before the ultimate implosion. There were plenty of personal remarks directed at sceptics in the years before 2000 too. The record CAPE ratio in the late 1990s merely correctly forecasted poor longer-term returns from that level, but was hardly a timing tool.

Chart patterns are also inconclusive: there were at least 12 corrections of more than 10% in the Nasdaq in the five years to the peak in March 2000. In recent weeks we have had a similar correction, and a subsequent brisk bounce, in the Nasdaq 100.

One senses mounting impatience with Big Tech's splurging on AI infrastructure (see page 6) and a proliferation of sceptical or pessimistic assessments of AI's impact on markets (see page 5), but when, or even if, all this amounts to a pin that bursts the bubble is unknowable.

Fortunately, it doesn't matter: it is not our job to predict when the bubble bursts, merely to be ready for when it does. Seeking out markets that could do well when investors sour on AI is always wise, and one we have long liked is being buoyed by its reputation for being an "anti-AI" trade centred on value, quality and the traditional economy. The UK offers the highest exposure to oil among all European markets, for example (see page 4), as well as relatively high income.

In sterling terms, the FTSE 100's total return over the past five years is 85%, just behind the tech-driven S&P 500's 87.5%. Compounded returns and income add up. Consider too that UK smaller companies have done 2.5 times better than the FTSE All-Share since the mid-1950s, but have lagged in the past decade or so.

They are also cheap in relative and absolute terms, as Odyssean Investment trust points out, and it is a truism of investment that low starting valuations are crucial to healthy long-term returns. British small caps, in short, are about as anti-AI a trade as you can get. That's something your Uber driver will never tell you.

Andrew Van Sickle
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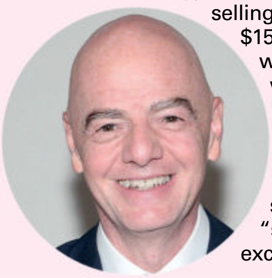
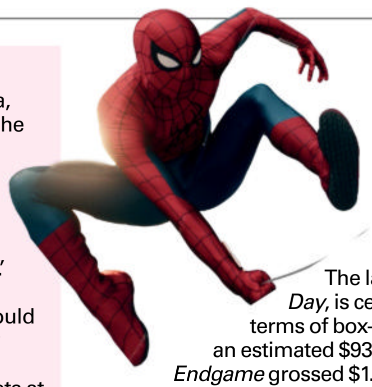
Yes, sell Fifa – but to the fans

Gianni Infantino (pictured), the president of Fifa, has withdrawn his proposal to "sell a slice" of the football world's governing body to private investors in a "pals' deal", says David Bernstein, a former Football Association chairman, in The Telegraph. But the idea of "raising substantial funds for the benefit of national associations across the world does have merit". Instead, Fifa should be listed on a major stock exchange. That way, fans from all continents could invest in world football, which would hopefully "prove to be a good investment as football continues to prosper". Infantino valued the assets at $20bn, but "I suspect the real value would be more than double". So, "full value would be achieved".

A hypothetical valuation of $50bn, selling, say, 30%, would raise $15bn for football worldwide. And it would force on Fifa "proper governance, regular reporting and professional management," since it would be "subject to stock exchange regulation".



Cover Illustration: ©Howard McWilliam. Photos: ©Alamy; Getty Images



Good week for:

Actor and director **Ben Affleck** has won the US version of *Who Wants to Be a Millionaire*, says The Sun. Affleck appeared on the celebrity version with Jamie Ding, a winner of quiz show *Jeopardy!* The pair answered all the questions correctly and took home $1m for their nominated charity – the Eastern Congo Initiative. Affleck co-founded the charity in 2010.

The latest Marvel superhero film, *Spider-Man: Brand New Day*, is celebrating Hollywood's second-biggest debut ever in terms of box-office receipts, says The Wall Street Journal. It made an estimated $932m in its opening weekend globally. *Avengers: Endgame* grossed $1.2bn worldwide in its first weekend in 2019. **Sony** keeps all the money the film makes (after cinemas have taken their cut) under a licensing deal signed in 1999 with Marvel, then a "struggling comic-book publisher".

Bad week for:

Didier Gaspard Owen Maximilien, a French student, has been fined S$600 (£348) in Singapore for causing a public nuisance, says The Straits Times. Maximilien posted a video on social media of himself licking a straw he took from an orange-juice vending machine in the city and putting it back, with the caption "city is not safe". Maximilien removed the straw when he collected his drink, but the video sparked outrage online.

Washington's "new gilded age is expanding", says The Atlantic. President Donald Trump has already "splashed gold all around the White House". Now *The Arts of War* statues by the Lincoln Memorial have been covered in gold leaf costing $5.1m. Nearby, *The Arts of Peace* statues are "still undergoing their golden glam-ups". Trump has described himself as a "gold person," but the **US taxpayer** is footing the bill.

©Getty Images; Marvel Studios/Sony Pictures

Look to UK as cracks appear in AI trade

Alex Rankine
Markets editor

London's market, skewed towards old-economy stocks, has emerged as a compelling anti-AI trade

©Getty Images

Britain's biggest weakness is turning into a strength. Technology represents just 2% of the FTSE 100 index, compared with nearly 40% for US shares, says Tom Stevenson of Fidelity International. The UK market's old-economy bias has been responsible for years of underwhelming returns, but with technology looking jittery (see below), the FTSE is emerging as a compelling "anti-AI" trade.

British bluechips hit a new record high last week. The FTSE 100 has racked up six consecutive quarterly gains and returned 19% over the past 12 months. Rising commodity prices have boosted London-listed miners and oil producers. The prospect of higher interest rates also helps. Pricier credit is bad news for racy US growth stocks, but good news for Britain's banks, who can command "wider lending margins".

Dangerous shrinkage

It's not time to crack open the Champagne yet. Reports that AstraZeneca is in talks to merge with a US peer (see page 6) threaten to sound the "death knell" for the Square Mile, says Ben Marlow in The Telegraph. In February, the FTSE drug giant upgraded its share listing in New York to the same status as that of London.

If AstraZeneca goes, it may open the door for a "stampede". BP would be at the head of the queue, with multinationals HSBC, Unilever or Rio Tinto tempted to follow. The prospect of a corporate exodus comes against the backdrop of a steady drumbeat of US private equity snapping up British firms. Five FTSE bluechips have agreed takeovers this year already.

That wouldn't be so bad if new listings were replenishing the index. But London hasn't had a "big-ticket" initial public offering (IPO) since Deliveroo in 2021, says Ollie Smith on Morningstar. Ironically, Deliveroo itself fell to an American rival last year. The result is a shrinking market. The total number of companies listed on the main British market has dropped from just over 2,000 in 2020 to fewer than 1,750 today, a decline of 13% in barely half a decade."At the current rate... there will be no UK stockmarket left in ten years" from now, says Clive Beagles of the JOHCM UK Equity Income Fund.

Global money managers have spent the past decade ignoring Britain, but that leaves UK shares as one of "the most underpriced, underowned and underestimated opportunities in developed markets", says Beagles. Optimists hope that changes to listing rules, coupled with reforms to encourage more investing via pensions and Isas, could end the IPO drought. Any durable shift in investing trends away from tech would also provide a big boost to London.

While shareholders wait to see if the FTSE can stage a comeback, they can at least enjoy its globally competitive dividends. Computershare's latest UK Dividend Monitor reports that dividends hit a record £35.3bn in the second quarter, and rose 7.4% on an underlying basis compared with a year before. Strong banking and mining payouts have offset weakness from consumer-facing firms such as spirit maker Diageo. Over the next 12 months, UK equities are set to yield 3.2%, compared with a little over 1% on America's S&P 500.

Nostradamus of AI fails to foresee flop

Twenty-four-year-old hedge fund manager Leopold Aschenbrenner was once hailed as the "Nostradamus of AI", says James Titcomb in The Telegraph. Last week, a meltdown at his $45bn hedge fund forced a fire sale of most assets to Citadel, the investment operation of Wall Street billionaire Ken Griffin.

It marks a humiliating reversal for Aschenbrenner, formerly a researcher at ChatGPT-maker OpenAI. His hedge fund ("Situational Awareness") reported a staggering 439% net return in the first half of the year. Those profits came from making big leveraged bets on AI infrastructure and Korean chip shares that left it dangerously exposed to a recent sell-off.

Hedge-fund wunderkind Leopold Aschenbrenner has suffered from a humiliating reversal

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South Korea's AI-powered boom has reversed "spectacularly", says Schumpeter in The Economist. Shares in chipmaking giant SK Hynix have plunged 50% since their June highs as investors bet that the cycle will turn and booming prices for computer memory will slide amid a rise in supply. As a "harbinger" for the rest of the world, "the first country to taste the riches promised by AI" may become "the first to have them taken away."

Aschenbrenner was "directionally right" to bet on AI stocks, says Lex in the Financial Times, but he has learnt the hard way that heavily leveraged investors can be wiped out by volatility. "In his defence," he "was in his infancy when the financial crisis hit."

Aschenbrenner's investors should have regarded reported 439% returns as a "warning", says Aaron Brown on Bloomberg. "Lucky fools who bet too much are far more common than... situationally-aware traders". Trading fortunes are not made by seeing the future, but by correctly structuring a trade so that you are still "solvent when it arrives".

Fed chairman's honeymoon over

In June, new US Federal Reserve chair Kevin Warsh charmed investors. Now the honeymoon is over. Last week the US central bank again held interest rates at 3.5%-3.75%. Until now, Warsh had succeeded in convincing markets that, though he was appointed by Donald Trump, who advocates easy money, he is serious about fighting inflation.

US inflation, now 3.5%, has been above target for more than five years, yet the Fed hasn't raised interest rates for three years. With inflation ticking down, investors weren't demanding an immediate rate hike. But they did expect Warsh to use the FOMC meeting to "reassert his hawkish credentials" as someone prepared to tighten soon, says John Authers on Bloomberg. Instead, Warsh said very little afterwards. Bond traders reacted with a "vote of no-confidence" that sent US 30-year Treasury yields spiralling to their highest level since 2007.

Warsh believes central bankers should be boring and not make headlines. Yet ironically, his refusal to offer any "forward guidance" about where interest rates are heading created a void of destabilising speculation. Bond traders are "all at sea", say Jonathan Shapiro and Cecile Lefort in the Australian Financial Review. The dominant reaction to Warsh's "invisible man routine" was one of pure confusion. Investors can't decide whether the new Fed chair is "an idiot or genius".

US helps Japan prop up yen

©Getty Images

Japan's currency has hit a 40-year low against the US dollar

Over the past five years, the Japanese yen has lost 30% of its value against the US dollar and nearly as much against the pound. The currency recently hit a 40-year low against the greenback. Now powerful figures in global finance are drawing a line in the sand.

Over the weekend, Japan's Ministry of Finance and the US Treasury confirmed they had jointly intervened in currency markets to support the yen. Japan is thought to have sold $59bn to buy yen, with Washington staging a smaller intervention – its first in Japan since 2011 – in support.

The move sent the currency up 3.5% against the US dollar, a significant rise in foreign-exchange terms that reversed months of depreciation. Japan's own interventions had become increasingly ineffective. America brings much more potential firepower to the table.

US Treasury secretary Scott Bessent has shown markets there is "a new sheriff in town", says Katie Martin in the Financial Times. The real mystery is why Washington is getting involved at all. One explanation is simply that Donald Trump likes Japan, telling reporters "Japan's been very good to us, with the exception, of course, of Pearl Harbor".

Self-interest, too, may be motivating Bessent. Japan's "massive sales" of dollar assets (mainly US Treasuries) are raising US borrowing costs at a time when government yields are already under pressure (see column). His solution? "Stand behind Japan like a scary big brother" to "scare off the yen sellers." The yen stabilised at around 157 to the dollar this week, stronger than the 163 level prior to the intervention.

The operation is likely to halt, at least temporarily, a "disruptive further depreciation" of the yen, says Brad Setser of the Council on Foreign Relations. A weak yen tends to pressure other Asian currencies lower. By making the region's exports cheaper, weak Asian currencies cut against the White House's desire for US reindustrialisation. The administration of a short, sharp shock to speculators betting against the yen might cause them to re-evaluate the trade.

Recent market "negativity" towards Japan has been overdone. The country has several important strengths, including a big current account surplus and ownership of huge tranches of overseas assets.

The one missing piece is higher interest rates. At 1%, Japanese rates are far below those in America, which causes steady selling pressure as local investors seek better yields overseas. Therein lies the rub, says Robin Brooks on Substack. Japan cannot afford to raise interest rates because of its mammoth government debt, which is equivalent to 248% of GDP. But without the support of rate hikes, this currency intervention will ultimately "fail like all previous ones". Despite its slide, the yen is probably still overvalued. Its rout is "a symptom of a debt crisis that's getting papered over".

Viewpoint

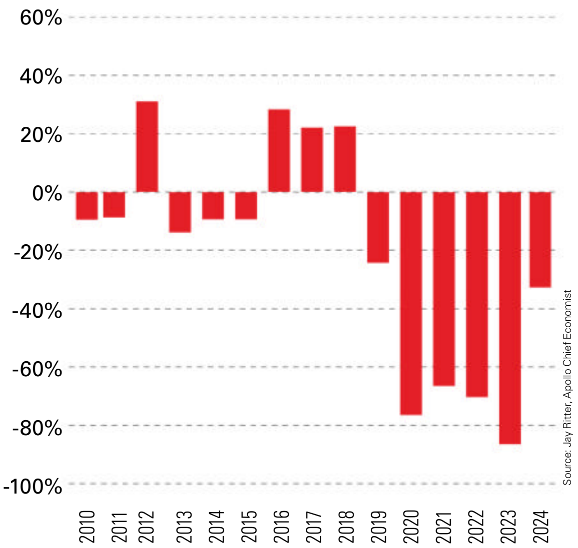
"The AI roll-out feels a lot like the 1999 telecom bubble. It is also starting to feel closer to what led to the 2008 financial crisis. The 2008 crisis started with a housing bubble, but it was the collapse of housing-linked financial instruments that infected the banking and financial system. Data centres cost a lot of money and incur significant fixed costs. But the profitability of AI is elusive. Companies that went all in on AI are struggling with the bill. This is where [the 2008 parallel] comes in: [data centre construction] needs to be financed. Some of the capital comes from [Big Tech itself], but a large chunk is going into special purpose vehicles (SPVs): opaque investments packaged by Wall Street that are sold to pension funds, private investors and insurance companies. The pipes for the damage to spill into the financial system are already laid."

Vitaliy Katsenelson, Investment Management Associates

AI bubble has peaked

US IPO performance vs the market

Average three-year market-adjusted return



"It looks like the SpaceX IPO marked the peak of the AI bubble", says economist Peter Schiff on X. Down more than 40% from the peak, shares in Elon Musk's rocket-to-AI business have come plunging to earth since their record-setting flotation in June. The Nasdaq 100 index of big US technology stocks has dropped 7% since its June high. Initial public offerings have been a terrible deal this decade, says Torsten Slok of Apollo. The companies in the last big US listings wave (2020-2021) have performed starkly worse than the market average. Ultra-easy money during the pandemic caused many low-quality companies to list at rich multiples, which then fell sharply as interest rates rose.

A bitter pill for the market

Shareholders in AstraZeneca are not keen on a potential deal with US pharmaceuticals giant Bristol Myers Squibb. Matthew Partridge reports

It emerged this week that pharmaceuticals giant AstraZeneca was exploring a deal with US rival Bristol Myers Squibb (BMS) to create one of the world's top drug firms worth £370bn, says The Times. AstraZeneca's shareholders delivered a "frosty response". The stock slid 9% on Monday, while BMS's increased only marginally. Analysts have "questioned the strategic benefits" of the tie-up for AstraZeneca, whose share price has more than quadrupled during Pascal Soriot's 14-year tenure as CEO.

Soriot's stint has been a "triumph", starting with the victorious fending off of a takeover from Pfizer in 2014, says Nils Pratley in The Guardian. Soriot also defied the critics with the purchase of Alexion Pharmaceuticals in 2021. It seemed pricey then, but allowed AstraZeneca entry into the field of medicines for rare diseases, "which should offer decades of growth". But the proposed merger with BMS "looks baffling", especially given BMS's "patent-cliff challenge". What's more, if things don't work out, the deal could prove a "calamity", as it would "come with a large helping of debt".

Heading to America

Some of AstraZeneca's shareholders oppose the deal, with one German asset manager even calling on both firms to abandon talks, says the Financial Times. But other investors see "potential upsides". A merger could "yield huge cost savings in research and development and administrative functions". What's more, the merged company would have "significant US exposure", which seems key if AstraZeneca wants to hit its sales targets. In the longer run, the deal could even help it "find a successor to Soriot from within BMS's ranks".

Deals in the drug industry can work if they are based around strategic ideas such as "entering a new therapeutic area, capturing a novel technology platform, growing geographically, or replacing a patent cliff", says Angus Liu in Fierce Biotech. But a union will only "yield a fraction of those benefits" while creating "an operationally overlapping monster". The portfolio duplication between AstraZeneca and BMS is "jarring", setting the stage for "antitrust nightmares and cannibalisation", with promising therapies "shelved purely to satisfy corporate targets". The challenge of "reconciling two massive drug research and development engines" also risks causing delays in development timelines.

©Getty Images

AstraZeneca's CEO Pascal Soriot has overseen a fourfold rise in the share price

Even if AstraZeneca can produce "convincing strategic and financial logic" for a tie-up, says Bloomberg's Chris Hughes, it could still stumble over how it is structured. While it might be logical for AstraZeneca to use it effectively as a way to "migrate wholesale to the US" by giving BMS's investors a large stake in the merged firm, such a move would be a "big worry" for UK policymakers, who might intervene. "[Satisfying] investors, lawmakers and regulators on both sides of the pond" will be an uphill struggle.

Investors are losing patience with Meta

Mark Zuckerberg's latest defence of his "costly quest" to transform Meta into a "world-beating" AI firm has fallen on deaf ears, says Hannah Murphy in the Financial Times. The social-media group's shares slipped 8% after its second-quarter results.

While Zuckerberg insisted the investment in AI would create "new profit engines" for the $1.5trn company, the strains from a spending binge that could total $145bn are starting to show. Meta's free cash flow fell to $784m, down 91% year on year. The company now also anticipates third-quarter revenue of between $61bn and $64bn, below Wall Street's forecasts. The poor quarterly revenue outlook has made shareholders increasingly nervous about Meta's ability to bring in sales and profit at a fast enough pace to justify its huge investment in AI, says Bloomberg's Alexandra Levine.

Many still have memories of Meta's recent "heavy spending" on virtual reality and the Metaverse, "which cost tens of billions of dollars without a meaningful return". To make matters worse, despite being one of the tech industry's "heaviest spenders", Meta doesn't yet have a cloud-computing business (although Zuckerberg has promised one) and its AI products have at times been considered "less competitive" than those of its rivals.

Meta's poor performance contrasts with Microsoft's, whose shares surged by 15% on the same day that Meta's fell, says Tom Hartley in Today In Perspective. "One company showed the cash, the other showed the bill": while Microsoft also spent "heavily" on AI data centres, this expenditure is already translating into sales, giving it "cash in the bank". The different reactions to the two sets of results suggests that investors have "stopped treating AI as one trade and started treating each company differently". That may bode ill for Meta.

BP quits the North Sea

Oil giant BP has just experienced its "highest quarterly profit in four years", more than doubling the $2.4bn it earned during the same period last year, says Emily Gosden in The Times. However, CEO Meg O'Neill is still apparently determined to ignore sentiment and history in her overhaul of the company, which recently fired its chairman.

Even before the figures were announced, she revealed that BP was set to quit the UK North Sea after more than 60 years. While O'Neill thinks that there is still "growth potential" in the North Sea and would personally "love to see exploration resume", the opportunities for investment there are "just not as competitive" as elsewhere.

BP is one of the last oil majors to have a significant business in the North Sea, says Malcolm Moore in the Financial Times. It employs 1,100 people and produces almost 100,000 barrels of oil and gas a day. Rivals have "either merged their assets or put them up for sale". The frontrunners to purchase BP's assets, which have an approximate value of $2.6bn, are Neo Next + (a joint venture between TotalEnergies, HitecVision and Repsol), and Ithaca Energy.

Hiving off the North Sea, where production and tax costs are high, is "an obvious move", says Alex Brummer in the Daily Mail. But it is also a "testament to the betrayal of Britain's energy security by successive governments". Our "mad dash for 'green' energy" and net-zero has led to the government blocking approval of licences for more drilling. The Treasury's "constant chopping and changing" of taxes on oil giants has also discouraged long-term investment. These missteps have now "forced out Shell and BP".

BP will also sell its stakes in both a project to build a gas-turbine power plant on Teesside and a scheme to transport carbon dioxide from carbon-capture projects in north-east England and store it under the North Sea, says Jonathan Leake in The Telegraph. There are now "questions" about its "commitment to Britain".

The bond market will burn Burnham

Our new prime minister's political and economic room for manoeuvre is extremely limited, says Helen Thomas

Another day, another prime minister. There is no doubt that Andy Burnham's affable persona and savvy TikTok game are a refreshing contrast to his predecessor's stiffness. But while politicians trade in popularity, investors are interested in profits. The rising stock in a prime minister is not necessarily reflected in the stockmarket. Indeed, external shocks have undone the plans of every occupant of Downing Street over the past decade. And each, whether Conservative or Labour, has reached for much the same economic playbook: more borrowing, higher spending, a larger state and, ultimately, higher taxes. With public debt already elevated and fiscal room increasingly scarce, Burnham may become the first prime minister forced to discover whether that playbook has finally reached its limits.

The public-sector finances data for June were marginally stronger than expected, with borrowing £300m below the Office for Budget Responsibility's (OBR) forecast. The cost of inflation-linked debt interest fell as the ceasefire in the Iran conflict pushed down energy prices. It was a timely reminder that governments do not control the most important variables in their own fiscal forecasts. With hostilities resuming, inflation is unlikely to remain so well behaved, leaving Burnham's fiscal headroom squeezed.

As one official reportedly told the new prime minister on arriving in Downing Street: you might not be interested in foreign policy, but it's interested in you. Events overseas can force an indebted government into making unpopular decisions. The National Institute of Economic and Social Research (NIESR) estimates that higher energy prices and weaker growth have eroded most of the government's fiscal headroom of £24bn.

Higher inflation creates a double squeeze for the Treasury, raising debt-interest costs while reducing what departmental budgets can deliver. The director of the NIESR, David Aikman, says that "Commitments must be funded through taxation or savings elsewhere – not through more borrowing. That is the minimum needed just to hold the debt level where it is".

A vicious circle

Andy Burnham famously made his own direct pronouncement on government borrowing, telling the New Statesman last September that "We've got to get beyond this thing of being in hock to the bond market". Bond investors clearly have other ideas. Ten-year gilt yields are materially higher than when those remarks first caused a shiver through the market and remain around levels not seen since the aftermath of the Truss-Kwarteng mini-Budget. Bond markets have a habit of reminding governments that they, not politicians, determine the price at which the state can borrow.

Burnham might want to get beyond bond markets, but unless he can unwind the relentlessly vicious circle of higher debt, higher deficits and stagnant growth, he will be doomed to repeat it. In her first act as chancellor, Rachel Reeves tried to pay for higher public-sector pay by removing the winter-fuel allowance, sowing the seeds of her own demise. Taxing jobs through higher national insurance while raising the minimum wage made employment more costly, bearing down on growth. She then assembled a smorgasbord of wealth

"You might not be interested in foreign policy, but it's interested in you"

©Shutterstock

Andy Burnham's expensive priorities may prove unaffordable

taxes owing to Labour's manifesto commitment not to raise the three main taxes. Although Reeves reduced gilt issuance, it remains historically high. The Debt Management Office plans to issue around 50% more gilts this year than in 2022-2023. Burnham inherits the same fiscal constraints, but with Labour polling around ten points below the level that delivered its 2024 landslide, reducing his political as well as economic room for manoeuvre.

There is a more fundamental problem if he attempts revolutionary change. He was not even part of Labour's 2024 election victory and, like all unelected prime ministers before him, will face complaints that he lacks a mandate to make difficult decisions. He has repeatedly stressed that Britain is a parliamentary democracy where parties choose their leaders. It is not unusual: 12 of the 19 people to serve as prime minister since 1945 first entered Downing Street between general elections. But that has never made governing easy. Only four went on to win a majority at the subsequent election.

With a fragmented electorate split at least four ways, Burnham may need little more than 25% plus one vote for a majority. Yet volatile voters are unpredictable. His strategy will be to unite the left by invoking his favourite bogeyman, the "Thatcher tribute act" Nigel Farage. Failing that, his programme itself has a distinctly left-wing flavour: capping household bills, re-industrialisation, stronger public control of utilities and a National Care Service. Politically, it is an attempt to rebuild Labour's coalition. Economically, however, it assumes global events remain reasonably benign.

But the more he talks left, the more the bond markets will push him to the right. His priorities are expensive and his options for paying for them are shrinking. The Laffer Curve is already alive and well in the disappointing revenues generated by a tax burden that has reached its highest level in decades.

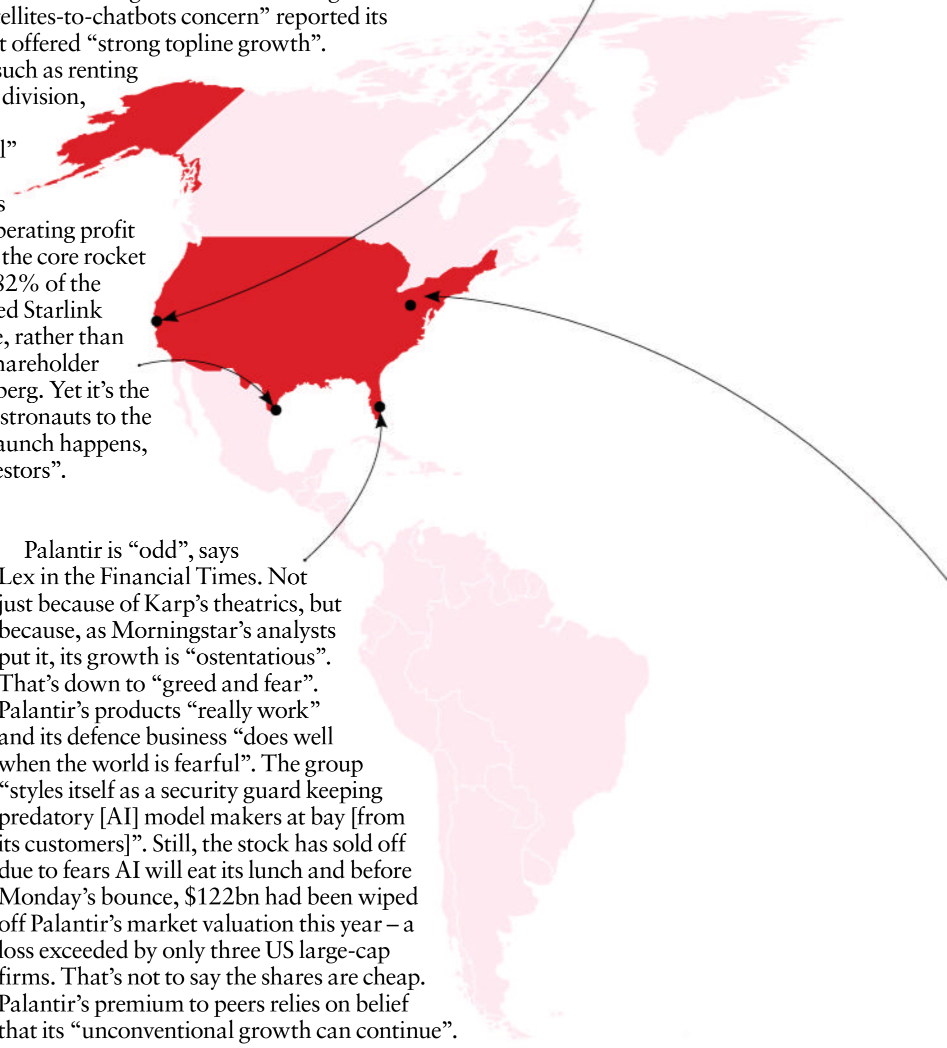
Gilt issuance remains elevated, inflation an ever-present threat and he cannot afford to lose credibility by breaching the fiscal rules. "Events, dear boy, events," as Harold Macmillan put it, still have a habit of overwhelming even the best-laid plans. Burnham's greatest opponents may not reside in the House of Commons, but in the bond market.

Helen Thomas is the founder and CEO of Blonde Money, a macroeconomic consultancy (blondemoney.co.uk)

San Francisco

Snakes and ladders: Amazon's shares surged 15% on the release last week of the online retail and cloud-computing company's second-quarter earnings – the biggest one-day jump in 14 years, says Jeran Wittenstein on Bloomberg. The cloud unit, Amazon Web Services, had performed particularly well, with revenue rising 37% year on year – the fastest growth rate since 2021. Amazon has not been immune to the pessimism that has unsettled tech stocks due to fears that returns from the billions of dollars spent on developing AI will disappoint. Yet the change in sentiment survived the weekend and on Monday, Amazon became the fifth company to reach a market valuation of $3trn, having achieved the $2trn milestone as recently as June 2024. Apple, which reported on the same day, watched its stock slide 7.4% as chip shortages have eaten into sales – its worst stock decline in 16 months.

The same contrast in fortunes could be seen at Meta Platforms (see page 6) and Microsoft, says Adam Levine for Barron's. Both are spending huge sums on building AI data centres. And both are seeing rising sales growth. However, Microsoft's stock rose 16% last Thursday, while Meta's fell 8%. The difference is that while Microsoft still had $20bn left over to buy back more shares, Meta's cash flow has all but dried up.



Starbase

Waiting for Starship: Texas-based Space Exploration Technologies, better known as SpaceX, "can catch a falling rocket", says Robert Cyran on Reuters Breakingviews. "Its tumbling stock price is another matter." On Tuesday, the $1.7trn "satellites-to-chatbots concern" reported its first quarterly earnings as a public company – one that offered "strong topline growth". But that growth is coming from "big, one-off deals", such as renting out server space to AI model makers. So, while the AI division, xAI, increased revenue by $2.6bn from a year earlier, almost $16bn was spent on developing those "colossal" server racks and the unit recorded a $1.3bn operating loss. SpaceX's satellite broadband division, Starlink, is "more durable". Revenue grew 66% to $4.3bn and operating profit came in at $1.7bn. As for the $542m operating loss at the core rocket business, that figure is misleading. Starlink provided 82% of the cargo going into space. Had the rocket division charged Starlink outsider rates, it would have made $12.6bn in revenue, rather than $4.1bn. Pressure on the share price may continue as shareholder lock-up periods expire, says Thomas Black on Bloomberg. Yet it's the success of Starship, the massive rocket that will take astronauts to the Moon, that really matters. Until its first commercial launch happens, "SpaceX's earnings won't be a clear road map for investors".

Miami

Otherworldly earnings: Palantir's shares jumped 13% in after-hours trading on Monday after the AI and analytics company lifted its full-year guidance, says Elias Schisgall in The Wall Street Journal. Despite controversies over its role in government policies, including the Trump administration's immigration policy, revenue surged 93% year on year to $1.9bn in the second quarter, with the group now expecting full-year revenue of around $8.2bn, including US commercial revenue growing 134% to $3.4bn. Palantir had expected full-year revenue of $7.7bn. Second-quarter profit soared to $1.1bn from $326.7m last year. "This quarter was otherworldly," said CEO Alex Karp (pictured).

Palantir is "odd", says Lex in the Financial Times. Not just because of Karp's theatrics, but because, as Morningstar's analysts put it, its growth is "ostentatious". That's down to "greed and fear". Palantir's products "really work" and its defence business "does well when the world is fearful". The group "styles itself as a security guard keeping predatory [AI] model makers at bay [from its customers]". Still, the stock has sold off due to fears AI will eat its lunch and before Monday's bounce, $122bn had been wiped off Palantir's market valuation this year – a loss exceeded by only three US large-cap firms. That's not to say the shares are cheap. Palantir's premium to peers relies on belief that its "unconventional growth can continue".

The way we live now... the rush from pretending to shop

There's a "new food-delivery app" where you can scan the menu, pick your dishes and place your order before tracking your delivery. "But your food never comes – and you never expected it to," says Gary Mortimer in The Independent. It's called FoodNeverComes, and nearly one million orders have been placed. The idea is that pretending to order the food gives you the same dopamine hit to the brain as you would normally receive, but without the expense of actually buying the food. Other apps let you buy clothes that will never arrive or smoke virtually, so you can "enjoy the look, feel and relaxation of smoking" without experiencing any nicotine or harmful effects.

These "dopamine apps" don't cost their users any money, but "there are downsides... including how your choices can help advertisers target you in real life". They started out in South Korea, but are now spreading globally. The only benefit for the app owners? The advertisements they show can track users' internet browsing so they can be targeted by advertisements when they really are ready to spend money.


Both real and pretend bibimbap is popular in Korea

Ceuta

Europe mired in migration row: At least 67 people died after around 60,000 migrants breached the boundary between Morocco and the Spanish enclave Ceuta. Although most migrants have returned, "fiery domestic politics, outsourcing of border control and weak solidarity doesn't bode well for the next crisis", says Lionel Laurent on Bloomberg. This is particularly so when far-right parties are riding high in Europe ahead of elections. The reasons behind the incident are "unclear", but border control of the Ceuta and Melilla enclaves is fraught as Morocco does not recognise these territories as Spanish. Tensions often rise when diplomatic relations between Madrid and Rabat are low. Some migrants told Italian newspaper Corriere della Sera that they were deceived, while Morocco blamed disinformation and human-trafficking gangs. Instead of backing Spain's assertion that its sovereignty was violated, several European leaders took aim at Madrid, including Germany, calling for a tough response. Italy's Giorgia Meloni suggested suspending Spain from the Schengen zone and criticised "pull factors" attracting migrants. But political "finger-pointing" won't reassure international investors that Europe can achieve economic reforms and effective migration policy. The European Union needs to foster economic partnerships with neighbouring countries, such as Morocco and Algeria, to tackle the root causes of migration.

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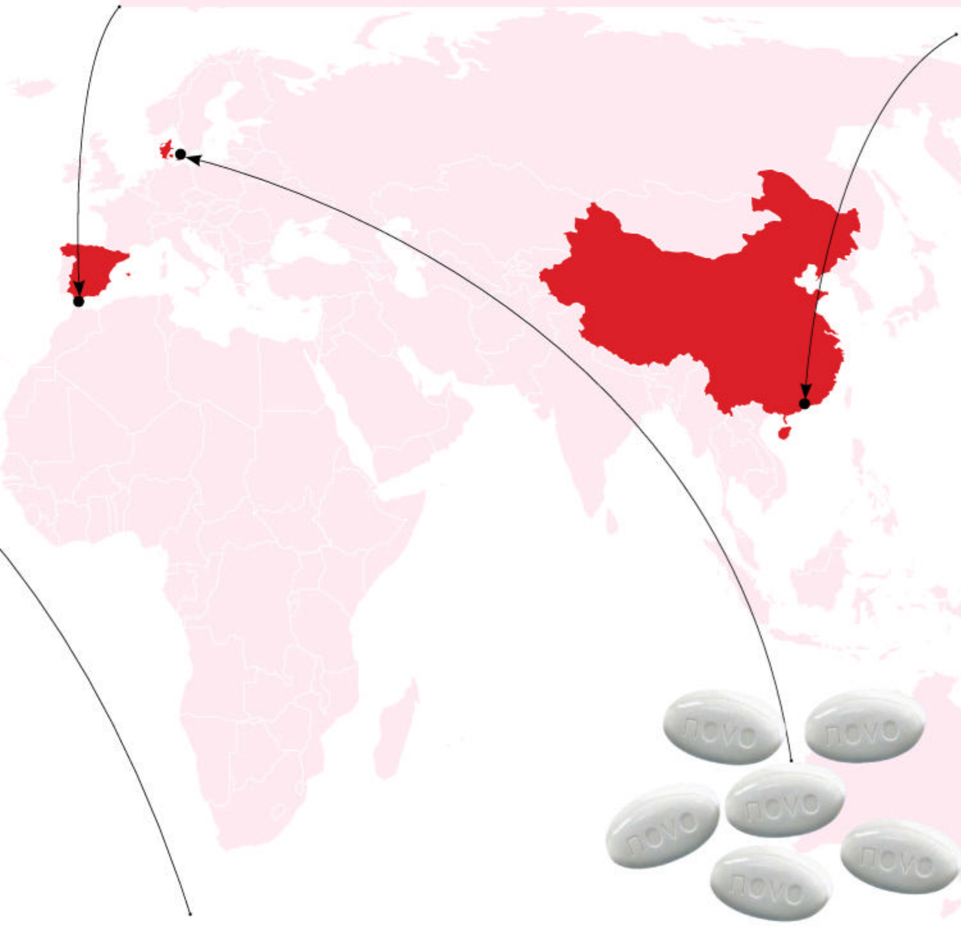
Thousands of migrants entered Ceuta



Hong Kong

New playbook for miners: China's Zijin Gold International has called off its $4bn cash takeover of Canadian miner Allied Gold, says Leslie Hook in the Financial Times. The deal, first announced in January, would have given Zijin access to two important gold mines in Mali and Ethiopia. It would also have been Zijin's biggest acquisition since listing in Hong Kong last year. But government intervention in the mining sector has been rising in both African countries and the National Development and Reform Commission, a Chinese regulator, had asked Zijin and Allied to get written assurance from the government in Mali that it would not seize the Malian mine if the transaction was completed. Such an assurance turned out to be "virtually impossible to obtain". Allied's Toronto-listed shares have also fallen since late April when jihadist militants blockaded Mali's capital. Instead, Zijin will buy a 9.2% stake in Allied for around $295m. Beijing had also been concerned by Zijin's "capital discipline", says Ka Sing Chan on Reuters Breakingviews. The cost of buying Allied would have exhausted almost all of Zijin's $3.6bn cash pile, the bulk of which was raised from Zijin's listing last September. It has also agreed to buy domestic rival Chifeng Jilong for $2.6bn. Zijin's purchase of a stake in Allied is a neat compromise that "preserves relationships and future supply at a fraction of the cost". This may well end up being the new playbook for China's miners abroad.

Pittsburgh

Westinghouse shines: Nuclear energy company Westinghouse Electric has filed for an initial public offering (IPO) to capitalise on an upswing in US government support for new reactors to help power the AI boom, says Avi Salzman in Barron's. Since Westinghouse is "one of the few nuclear developers that actually makes money", its IPO could be "a blockbuster", valuing the company in the "tens of billions of dollars". Canadian private-equity firm Brookfield Asset Management owns a 51% stake in Westinghouse, and Canadian uranium firm Cameco owns the rest, having bought Westinghouse together in 2023 in a deal worth $8bn. More recently, the Trump administration reached a preliminary agreement with Japan to finance up to $80bn in new Westinghouse reactors as part of a trade deal. As part of that arrangement – which is still up in the air – the US government stands to gain a cash windfall worth either 20% of the stock if Westinghouse lists, or 20% of any additional cash paid out by the company above $17.5bn. The government has also offered $17.5bn in loans for firms to buy equipment for Westinghouse's reactors. Westinghouse filed for bankruptcy protection in 2017, but has since simplified its business to focus on licensing designs and services.

Bagsvaerd

Too much of a good thing: Drug makers Novo Nordisk and Eli Lilly both reported their second-quarter earnings on Wednesday, but it was the shares of Denmark's NovoNordisk that sold off, say Aanu Adeoye and Patrick Temple-West in the Financial Times. Novo expects sales and adjusted operating profit growth to be either flat or fall by as much as 6% this year – proof, investors fear, that the drugs company has come to rely too much on its blockbuster weight-loss treatments. Net sales rose 3% at constant exchange rates in the second quarter from a year earlier, to DKr78.5bn (£9bn), and adjusted operating profit rose 11% to DKr33.4bn. US rival Eli Lilly fared far better in pre-market trading in New York. It posted a 48% jump in second-quarter revenue to $23bn, "fuelled by a sharp rise" in sales of its obesity and diabetes treatments. Novo, like other big pharmaceutical companies, has been forced to reduce prices in the US market at the behest of president Donald Trump. "But the company is betting that volume growth will eventually make up for more affordable prices." "Novo pioneered the latest generation of obesity medicines… [yet] Lilly is now the one feasting," says The Economist. Lilly's share price has doubled since early 2024, while that of Novo has fallen by more than half.

A social-media ban for children

The government plans to police under-16s' online activities from next year. Simon Wilson reports


Kids are especially vulnerable to features designed to make platforms addictive

©Getty Images

What is the UK proposing?

The UK government announced in June that it will introduce a sweeping ban on social-media usage by children. Modelled on a similar ban already in place in Australia, the necessary legislation is due to be put to Parliament in the autumn, and to take effect early next year. The restrictions will broadly define social-media as sites that promote social interaction between users, allow them to post material or links to external sites, and use recommendation algorithms or "persuasive design", such as infinite scrolling. The onus will be on the technology platforms to enforce the ban by introducing age checks on users; they will face fines if they don't.

Which platforms are affected?

The new rules are likely to ban under-16s from YouTube, Facebook, TikTok, Instagram, Snapchat, Kick, Reddit, Threads, Twitch, X, and Bluesky. Some dating apps and livestreaming sites could also be covered. However, other platforms popular with young teens – including Discord, Roblox, Pinterest, YouTube Kids and WhatsApp – will not be banned. Educational services, e-commerce, libraries, museums and music streaming platforms are also expected to be exempt. However, the UK is going further than Australia by also specifically banning all platforms – including Discord and Roblox, for example – from offering livestreaming for under-16s, and from allowing strangers to contact child users. Chatbots offering romantic companionship will also be banned for under-18s.

What's the rationale?

Supporters argue that the evidence of harms caused by social media is now overwhelming. Numerous studies have found that teenagers who spend large amounts of time on it report higher rates of anxiety, depression, loneliness and poor self-esteem. Teens are especially vulnerable to the features designed to make platforms addictive (auto-play, infinite scroll, and so on), and recommendation algorithms tend to reinforce access to undesirable or toxic content. Social media is a breeding ground for cyberbullying, while late-night scrolling leads to poor sleep and exhaustion. A ban is needed because the current system is not working. A survey by Ofcom found that among children aged 10-12, over half use Snapchat, more than 60% TikTok and more than 70% WhatsApp. All three apps have a notional minimum age of 13. Also, even if no ban will be perfect, that's not a reason for not having one. Bans on sales of cigarettes and alcohol to teenagers are also not 100% effective, but few would dispute their usefulness. A ban is also enormously popular, with polls showing large majorities in favour.

What are the arguments against?

The tech firms naturally oppose any bans as an unjustified interference in their businesses. But it's not just Big Tech that's worried. Smaller UK enterprises who make apps aimed at teens are waiting anxiously to discover whether their in-app features will see them classed as social media. There have always been moral panics about how children waste their time, says Christopher Snowdon in The Spectator. But what the government has planned is "more like banning the printing press than banning *Grand Theft Auto*". It won't work and no one really expects it to – so why bother? Moreover, the science, in terms of the harms caused by social media, is far from settled, says the FT, with much research showing only weak associations between teenage usage and mental ill-health. And, strikingly, not all campaigners on this issue support an outright ban. There are fears that bans will encourage children to move to riskier platforms and instil a counter-productive false sense of security in parents. Such campaigners say the government should force the companies to make their products safer, for example by banning addictive features such as infinite scroll.

"The plan is like banning the printing press rather than just Grand Theft Auto"

Is the ban working in Australia?

No. The Australian government's eSafety Commission found last week that 81% of children aged ten-15 had accessed at least one of the banned platforms following the ban. Slightly more encouragingly, the proportion of that age group who actually held their own social-media account fell from 52% to 42%. The research is hardly definitive, based on surveys involving just 800 children and parents. But it's broadly in line with other surveys.

Why such a limited impact?

The biggest issue was "ineffective implementation of age-assurance measures by platforms", the research found. More than half of children said they had not been asked to confirm their ages. Some 18% said platforms had incorrectly estimated their age to be above 18, and 37% said they had simply claimed to be 16 or above to maintain access. The federal government in Canberra recently doubled the maximum penalty for companies that fail to comply with the ban to A$99m (£52m), arguing that tech giants were "not doing enough" to comply with the new rules. But even so, the early signs are that the road to compliance – even if possible – will be long and winding. "The impact of the law will not be measured in weeks or months, but over generations," said Julie Inman Grant, the eSafety commissioner.

What are the alternatives?

Some campaigners favour more nuanced policy interventions. Rather than banning access altogether, governments could regulate the design of platforms – for example by prohibiting addictive features such as infinite scrolling or autoplay for younger users, limiting algorithmic recommendations, making accounts private by default and preventing children from being contacted by strangers. All these interventions would still rely on effective age verification. But rather than raise age limits, regulators "should redouble efforts to make social sites more suitable for teens", said The Economist. This would be preferable to an unproven and almost certainly unworkable outright ban. Governments should also "force web firms to cough up more data on how teenagers use their products–the better to help researchers measure harms, and come up with ways to prevent them".

Act quickly to save London

The UK's new government will make a terrible mistake if it prioritises the North over the capital

Matthew Lynn
City columnist

London hasn't been "left behind", it hasn't suffered from "deindustrialisation", and there is little sign that it was harmed by "40 years of neoliberalism". So Britain's new prime minister Andy Burnham probably hasn't given much thought to London, except as a place to escape as he pursues his relentless focus on Manchester, and the rest of the North. But he should. There are worrying signs that the economic decline of the capital is starting to accelerate – and that is turning into an emergency.

Last week, we learned the population is falling for the first time in three decades. More than 400,000 Londoners left the capital for other parts of the country in 2025, according to the Office for National Statistics. Sure, plenty of people still moved to London, but there was still a net outflow of 130,000. That might make it easier to get a seat on the tube, or to find a flat to rent, but it is hardly a sign of economic vibrancy.

What's more, the latest data from HM Revenue & Customs showed that figure includes 1,200 non-doms. Not everyone approves of allowing wealthy foreigners to pay less tax than the locals, but there is no question that the money they brought into the country fuelled a lot of London's finance and service industries, from lawyers, to wealth managers, to family offices.

Meanwhile, the property market is slumping. In Westminster, prices are down by 23% over the last year, and are still going down. It is almost as bad in other areas, with falls of 10% in Kensington and Chelsea, and 7% in Hammersmith and Fulham. Measured in real terms, prices are now down by 40% or more from their peak, as a slow-motion crash unfolds.

Harvey Nichols: no longer a trophy asset?

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Even some of our best-known retailers are feeling the pain. Harvey Nichols was one of the most glamorous stores in the capital – a destination for celebrities and high-rolling tourists from around the world. Yet its long-time owner, the Hong Kong entrepreneur Dickson Poon, has tired of its constant losses and has put the business up for sale. Rewind 20 years and the world's luxury giants, or the wealth funds of the Gulf, would be battling for control of this trophy asset. Not now. The leading bidders are Next, Mike Ashley's Frasers, and even Gordon Brothers, the owner of Poundland and Laura Ashley. There is nothing wrong with any of those companies – Next is one of Britain's best run businesses – but they are hardly the kind of owners associated with Knightsbridge. London's high-end retailers are not worth as much any more.

Britain's engine is stalling

Add it all up, and one point is surely clear: London's economy is in deep trouble. That matters for the rest of Britain, since London is central to the wider economy. The capital accounts for over a fifth of the nation's output, even though it has only 13% of the population. The average worker is 28% more productive than workers in other parts of the country. London pays 27% of the income tax the Treasury collects every year, and 36% of the corporation tax. It is the engine of the British economy. It is impossible to imagine any other part of the country replacing it.

It is not hard to understand why London is in trouble. The decision to end non-dom status may have played well to voters and activists but it was hugely destructive. After leaving the EU, we could have done a lot more to help the City find new business, but instead kept it wrapped up in regulation. The city's infrastructure is in steady decline and housebuilding has collapsed. Shops have been hit by the decision to end VAT refunds for tourists. Successive governments seem to have been on a mission to damage it as much as possible.

So while the new government spends its time worrying about the regions, it urgently needs to get to grips with London's rapid decline. Once a city starts to contract, that can accelerate very quickly. The world's wealthy stay away because it does not have the services they require. Global businesses don't bother with it because it doesn't matter so much any more. Success is turbo-charged by a network effect, but so is failure. London, unfortunately, is starting to switch from one to the other.

City talk

● Greggs doesn't operate at the "spear tip of lunchtime engineering", says Louis Ashworth in the Financial Times. The bakery chain "waits for a trend to take hold, then adopts it and competes on price". Still, "innovation can be incremental". Greggs' £76m first-half pre-tax profit beat expectations, in part due to its chicken sausage roll. The new "star product" is a sign that Greggs is "trying new things, and they're paying off", which may help dispel lingering fears of "peak Greggs". The firm has also been trying out new, smaller "Express" shops, will bring two distribution centres online, and is aiming to expand to 3,500 locations in the medium term. "Brutal" competition and higher costs are headwinds, but with many companies wanting to change the world, "sometimes just changing the recipe will do".

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● "HSBC is starting to look priced for perfection," says Antony Currie on Reuters Breakingviews. After a 35% gain this year, the shares trade on 2.2 times tangible net asset value – its highest rating in 15 years. Strong earnings this week appear to justify investors' faith in CEO Georges Elhedery since he took over two years ago. "Still, a few wrinkles have started to show." The bank can't do much about a new crackdown on cross-border flows out of mainland China, but they may affect profits in its key Hong Kong market. Meanwhile its decision to exit retail banking in Australia by selling the loan portfolio and closing the deposits business will mean a loss of around $500m. "It's unclear why the bank could not find a buyer" – Citi got $880m for a unit three times smaller in 2021, suggesting Elhedery could be leaving $2.6bn on the table in his quest to simplify the bank. A $400m loss on private credit loans is another red flag for risk management. The new CEO's "enthusiastic fan base may be in danger of getting carried away".

● Tufan Erginbilgiç's long-term bullishness "sounds less fantastical with every set of results", says Nils Pratley in the Guardian. The Rolls-Royce CEO has upgraded full-year forecasts to cash flow of £3.8bn-£4bn and operating profits of £4.7bn-£4.9bn. Erginbilgiç says the firm is at the centre of key global trends: higher defence spending, power generation for AI data centres, and nuclear energy, plus a potential return to the lucrative narrow-body aircraft engine market. No other major UK company has so many "huge opportunities on various fronts".

How China reduced the oil shock

Yawen Chen
Reuters Breakingviews

This year's spike in the oil price could have been far worse, said Yawen Chen. Chalk that up to China. The world's largest importer of crude oil slashed its overseas purchases as the conflict began; by June, it was buying just seven million barrels a day, compared with an average of 12 in the previous five years. Consumption could stay around these levels permanently. China didn't just dip into its reserves to compensate for absent imports. "Its whole system contracted and adapted, apparently to a degree that surprised even Beijing." A decline in oil processed in Chinese refineries made up 60% of the reduction in daily demand. It reflected consumers being "strikingly receptive" to cutting their use of fossil fuels. Motorists drove less and opted for electric cars; they also chose high-speed rail over flying. Public-construction projects were delayed, lowering demand for diesel. The petrochemical industry, where overcapacity is rife, found it relatively easy to tighten its belt. Refiners and chemical groups also shifted to alternatives to crude-based inputs. Beijing has got used to doing more with less oil, so demand may not bounce back now that the conflict is supposedly over.

Why AI will help small firms

Editorial
The Economist

"Americans have long loved the idea of being their own boss," says The Economist. More are now "living out that dream". Workers have traditionally been drawn to large companies with their promise of stability; the self-employment rate dropped from 36% in 1910 to 10% in 2020. But this has changed. The full-time self-employment rate hit a record high of 16.8 million people in 2025, spurred by Covid-era subsidies for small businesses, workers reluctant to return to the office after lockdown, and an "explosion" in e-commerce and other ways to earn money remotely. The difficulties in finding a payrolled post have propelled many, especially young people, towards self-employment, and an ageing population has created demand for services catering to the elderly. Meanwhile, AI chatbots have made it easier for small firms to create websites and navigate regulations, ushering in the "age of the solopreneur". Although AI fills the "capability gaps that once made hiring necessary", some experts expect AI-powered small businesses to hire staff as they grow. Much of the value generated by AI could accrue to "Etsy-sellers and small-town accountants", not to corporate giants.

A superior subsidy strategy

Gillian Tett
Financial Times

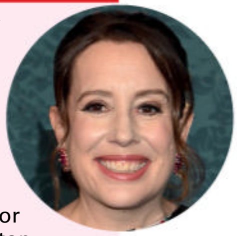
The "explosion" of Chinese exports, which hit almost $4trn last year, is creating "deep angst" among global policymakers about a second "China shock", says Gillian Tett. China's subsidies, which were three to eight times higher than its rich-world rivals in 2024, according to the OECD, make it hard for other nations to compete with its "quality" electric vehicles, green technology, and AI. However, Western complaints of unfair Chinese state meddling look "hypocritical" as the US and other Western nations also use subsidies. The difference is that "China is backing strategic businesses, such as green tech, while the West props up old sectors with political clout, such as agriculture". China is also adept at implementing "complementary" measures to its subsidies, such as training for workers. The US is now imposing tariffs and backing chipmakers, but this is "piecemeal". Ideally, all governments would stop "mercantilist meddling", but that won't happen. So the best bet now is for the EU and others to contemplate tariffs and to become more strategic with their industrial policies. "Supporting farmers while cutting funding for science, say, is mad."

The pitfalls of public ownership

Editorial
Bloomberg

Politicians worldwide are "showing renewed enthusiasm" for public ownership of private companies, says Bloomberg. Prime minister Andy Burnham wants to nationalise water, electricity, and transportation. The trend is driven by concerns about the resilience of supply-chains, national security, deindustrialisation and supposed profiteering. However, history suggests that public ownership is "almost always a mistake". Instead, "market-friendly, arms-length regulation is a much more reliable way" of achieving economic goals, and governments can provide vital suppliers with grants or loans. Public ownership impedes innovation, essential production, economic resilience, and regulation of monopolies, rather than advancing these goals. Nationalisation leads to decision-makers "in effect, regulating themselves" and prioritising their interests over the public's. This can lead to subsidies for political allies or "taxation by stealth" to cover an industry's losses. Governments have a "fiscal interest in diminished competition and a reason to tilt the playing field against rivals", resulting in inefficiency and underperformance. "Competition and private enterprise are the keys to economic success."

Money talks



"We are why poets get paid. We're the reason that publishers can afford to take risks."
Julia Quinn (pictured), author of the Bridgerton Regency romance novels, on the success of the genre, quoted in the FT

"They had to pay me every time they made a movie. I sit on the couch and a cheque arrives in my hand. I have to admit, with all the rebellion in the world, I am a happy capitalist."
1960s film director John Carpenter on refusing to make a sequel to *Halloween,* but receiving royalties as the co-creator for all the later films in the series, quoted in The Guardian

"It would be cheaper to go to the dental aisle at Boots for some floss."
A Mumsnet user responding to Marks & Spencer's "flirty" lingerie range, which includes crotchless underwear, quoted in The Mail on Sunday

"There are no solutions. There are only trade-offs."
Economist Thomas Sowell, quoted on Foxnews.com

"Farming looks mighty easy when your plough is a pencil and you're a thousand miles from the cornfield."
Dwight D. Eisenhower, quoted in Queensland Country Life (Australia)

"Someone told me I was resilient when I was younger. But sometimes you've got no choice… I went pillar to post with foster families, homeless hostels, sleeping by the bins at the back of the Co-op, because it was too dangerous to go back to the children's home because of the abuse… And now I live in a beautiful home… I've got a massive garden, two bathrooms. But it's constant work… And my job is my salvation."
Actress Samantha Morton, who stars in the film of *The Odyssey,* quoted in The Sunday Times

A better bet than Britain

Europe has many challenges, but its broader market offers plenty of opportunities for this trust

Max King
Investment columnist

Apologists for the UK's dismal economic record and outlook like to claim that things are just as bad in Europe. There is certainly a case for that, but it doesn't deter Marcel Stötzel, who took over as lead manager of the **Fidelity European Trust (LSE: FEV)** earlier this year.

"Europe is plagued by poor demographics, low productivity and high government debt, none of which are getting any better," he agrees. Economic output per capita is half the level of the US. But European stocks are not proxies for their economies, as they derive only a third of their turnover from Europe. "We are more bullish than ever."

Meanwhile, on the macro front, he sees five reasons to be positive. "Germany's fiscal brake has been lifted, Mario Draghi's report on EU competitiveness promises to cut red tape, there is a large savings rate to be mobilised, Europe is spending more on defence and European integration is tightening." As a result, "the GDP growth gap will not continue to widen" and "we are overweight domestic Europe for the first time."

A disappointing year

Following its merger with Henderson European Trust nearly a year ago, FEV has become a £2.2bn trust. It trades at a modest 5% discount to net asset value (NAV) and yields 2.3%. However, while performance has been excellent since its 1991 launch (13.2% per year against 9.5% for the FTSE Europe ex-UK index), it has lagged the index by 10% over one year, 13% over three, and 12% over five. This puts it 11%, 31% and 33% respectively behind JP Morgan European Growth & Income (LSE: JEGI).

In the latest annual report, Sam Morse, the previous lead manager, attributed last year's disappointing performance to "limited exposure to defence stocks, holdings in Novo Nordisk, chemical producer Symrise and software company SAP". Novo Nordisk soared on the back of its weight-loss drug Wegovy, but then crashed 75% from its mid 2024 high before a slight recent recovery. SAP has suffered from concerns that AI will disrupt the businesses of established software companies. JEGI had been more nimble, selling SAP early last year and Novo Nordisk the year before.

Still, every manager has a bad year, and Stötzel will surely get performance back on the rails again, maintaining the long-term record. He focuses on "companies with the ability to grow dividends sustainably for three-five years." Examples include Inditex, owner of the Zara chain, which kept manufacturing at home and in North America instead of outsourcing it to China. This has enabled better quality control, less wastage, faster delivery and more flexibility.

Other top holdings include ASML, with a virtual global monopoly in the supply of machines for manufacturing semi-conductor chips, pharmaceutical company Roche, cosmetics giant L'Oréal and oil and gas producer TotalEnergies.

Scope for improvement

Stötzel says the portfolio has a higher return on capital and better dividend growth than the market, while trading at no more than the historic valuation of 18 times earnings. Overall, European equities are no better than fair value, but if Stötzel is right and economic growth picks up, earnings growth should accelerate and investment returns continue to be strong. There would be a further boost if the historic aversion of Europeans to investing in equities abates.

Stötzel's thesis about the improving economic outlook for Europe relative to the US may prove optimistic, but it is more plausible than any thesis for the UK, to whose market investors continue to be patriotically attached. Europe is a much larger and broader market than the UK with many more growth stocks, offering managers a better choice for long-term investment. FEV may have tripped up last year but it has a great long-term record while investors in JEGI must hope that pride doesn't come before a fall.

Inditex is one of the trust's top holdings

Activist watch

Gore Street Energy Storage has come under renewed attack from its activist investors, after RM Funds said it would back Saba Capital in voting for the fund's closure at its annual meeting on 16 September. The battery-energy storage trust – which last month announced a 27% fall in its NAV – is urging investors to reject Saba's resolution and keep backing the recovery strategy it unveiled in March, which includes selling assets to support a fixed dividend while also investing in upgrading the portfolio. However, RM said the trust is "just not being well managed" and "enough is enough". The resolution will require 50% of votes cast to pass. Saba and RM together own 22%, and investors accounting for just 53% of total share capital voted last year.

Short positions... Prologis set to snap up Segro

● Logistics investor Segro has accepted a takeover bid from giant US rival Prologis. The offer, which is mostly in Prologis shares with a cash alternative of up to 25%, values Segro at 1,032p per share. Confirmation of a deal – which had been resisted by the target for several weeks – came shortly after Segro reported strong half-year results, including a 6.3% rise in pre-tax profits, a 5.3% increase in like-for-like net rental income and a 71% jump in new rent. "Fundamentals remain exceptionally strong, particularly for well-located logistics assets," says QuotedData, raising the question of "whether the £14bn bid fully reflects the embedded value of Segro's development pipeline and growing data-centre opportunity".

● Unite, the real estate investment trust that is Britain's biggest student landlord, is to exit nine cities and refocus on the 20 "strongest" universities. Unite will put assets totalling 15,000 to 20,000 beds up for sale this year, on top of the £130m in sales already completed, cutting its bed count by 24%. Proceeds will be used to fund buybacks and secure further university partnerships. The trust's shares have slumped 45% since announcing its £634m acquisition of rival Empiric Student Property last summer, due to lower bookings.

● Sven Borho, the lead manager of the £1.3bn Worldwide Healthcare Trust, has stood down with immediate effect. Borho, who has been a named manager on the trust since 2013, is also retiring from the trust's management company OrbiMed Capital, which he co-founded in 1993. Co-manager Trevor Polischuk has taken over as lead manager, while Geoff Hsu, who is lead manager of the OrbiMed-run Biotech Growth Trust, has become co-manager.

Moving the world's money

Mastercard and Visa earn vast profits by taking a tiny cut from thousands of payments per second. Yet new technology and political tensions could disrupt this highly valued duopoly, says Jamie Ward

You tap your card to buy a coffee. Two seconds later you are walking away. It feels effortless, but behind that two-minute transaction lies a complex global relay. Your bank confirms funds, the merchant's bank requests authorisation and fraud systems assess the risk. Two companies sit at the centre of this process: **Mastercard** (**NYSE: MA**) and **Visa** (**NYSE: V**), the dominant global payment networks.

To most people, these are little more than logos on cards. In reality, they represent a global system that allows a payment in Birmingham to work just as easily as one in Bangkok. The infrastructure is so seamless that we never need to think about it, yet it is why these two companies have proved so difficult to disrupt.

The question now is whether this lucrative duopoly, which has fended off challengers for decades, is finally facing a genuine threat. For years, critics have seen rival technologies emerge, only to watch Mastercard and Visa absorb the innovation and become stronger. Yet as we look towards a future of sovereign payment systems, digital currencies and autonomous machine commerce, investors need to consider whether today's threats are fundamentally different from those of the past. Will new technologies merely change how we pay, or will they replace the invisible pipes through which every transaction flows?

The plumbing of payments

Understanding why this duopoly has proved so durable starts with one misconception. Mastercard and Visa do not lend money, issue most cards, or sign up merchants. They simply provide the trusted communications network linking cardholders, merchants and their banks.

When a payment is made, the merchant's bank sends an authorisation request through Mastercard or Visa. The network identifies the correct issuing bank and securely routes the request. That bank checks whether the card is valid, confirms that funds or credit are available and carries out fraud checks before approving or declining the transaction.

The decision then travels back through the network to the merchant. Later, Mastercard and Visa coordinate settlement, ensuring that money moves correctly between the financial institutions involved.

The networks do not lend money, take deposits or bear the risk if a customer fails to repay a credit-card balance. Those responsibilities sit with the issuing banks. Mastercard and Visa simply provide the rules, technology and communications network that allow thousands of financial institutions to work together.

This is very different from the model used by firms such as American Express. Amex combines the roles of card issuer, payments network and merchant acquirer within a single business. This gives it greater control over the relationship with the customer, but also means taking on more risk and investing more capital. That integrated model also helps explain why some smaller businesses still refuse American Express. Historically, its merchant fees have often been higher than those charged on Mastercard and Visa transactions.

Mastercard and Visa took the opposite approach. By leaving lending, underwriting and merchant relationships to partner banks, they created an asset-light model that could expand globally without requiring the same balance sheet.

"The networks do not lend money, take deposits or bear the credit risk"

The result is a network that becomes more valuable as more participants join. Any bank can connect its customers to the system. Any merchant can accept payments through it. That structure has allowed Mastercard and Visa to expand into more than 200 countries and territories while avoiding many of the risks carried by traditional financial institutions.

Alternatives exist. American Express has built a successful premium franchise. UnionPay dominates China. JCB is strong in Japan. Discover is well-established in North America. Yet none has matched Mastercard and Visa's mix of global acceptance, bank partnerships and asset-light economics.

Uniform standards

This position has made Mastercard and Visa into two of the world's most valuable technology companies: both are worth over half a trillion dollars. Yet their origins were far more modest.

In the 1950s and 1960s, consumer payments were fragmented. Shoppers often carried multiple store cards, while banks struggled to process payments between different institutions. Master Charge and Bank Americard, the predecessors of Mastercard and Visa respectively, were established to create a common standard that allowed different banks and merchants to participate in the same payment system.

For decades, the networks operated as cooperatives owned by the banks that used them. This worked while electronic payments were still developing, but it became difficult as the industry matured. The member banks were also competitors, fighting for market share in card issuance and lending. Disputes over fees, governance and access became increasingly common.

The solution was to separate the infrastructure from the banks. Between 2006 and 2008, Mastercard and Visa demutualised and listed in New York. Freed from competing shareholder interests, they could focus on expanding the network itself. They stopped operating primarily as industry utilities and became technology companies, investing heavily in fraud detection, cybersecurity, data analytics and international expansion.

Although Mastercard and Visa are often discussed together, they are not identical businesses. Visa has historically maintained the larger share of global payments volume, particularly in the US, while Mastercard has often positioned itself as the more international challenger. However, their investment cases are remarkably similar. Both benefit from the same long-term trend: the shift from cash towards digital payments. Neither needs to eliminate the other to succeed. The global payments market has been large enough for both companies to compound alongside one another for decades.

Their role today is often misunderstood. Mastercard and Visa do not need to replace every domestic payment system. Instead, they increasingly act as the common language that allows different systems to work together.

France provides a useful illustration. Many French payment cards carry both the logo of the domestic Cartes Bancaires (CB) network and either Mastercard or Visa. When that card is used in France, the transaction may be processed through the local CB network. Use the same card abroad and the payment is

Card networks were created in the 1950s and 1960s to simplify how we pay

likely to travel across the Mastercard or Visa network instead. The customer rarely notices the difference because the systems work together seamlessly.

This helps explain why local payment networks are not necessarily threats. Countries can build efficient domestic payment systems, but international commerce is a much harder problem. Cross-border payments require common technical standards, fraud protection, dispute-resolution rules and the trust of thousands of banks and millions of merchants. Mastercard and Visa have spent more than half a century building those connections.

That does not mean they are invulnerable. Domestic schemes such as India's Unified Payments Interface (UPI), Brazil's Pix and China's UnionPay have demonstrated that governments and local providers can build highly successful alternatives for domestic payments. But they also highlight where Mastercard and Visa's greatest strength lies. Their advantage is not that they process every payment. It is that they remain the network connecting different payment systems across borders.

That distinction will become crucial as new payment technologies emerge. The question is not whether other systems will exist alongside Mastercard and Visa. They already do. Rather, it's whether anything can replace their global infrastructure.

The money toll

Mastercard and Visa have one of the most attractive business models in the global economy. They do not need to earn pounds from every transaction. They only need to capture a tiny fraction of the value flowing through their networks.

The economics of a payment are split between several participants. When a merchant accepts a card payment, it pays a fee known as the merchant service charge. A portion compensates the issuing bank for providing the card and taking on lending or fraud risk. And Mastercard and Visa receive fees for operating the network, processing transactions and providing the rules and technology that let the system function.

Think of it like a toll road. While a transaction may involve hundreds or thousands of pounds changing hands, Mastercard and Visa earn only a minuscule fee for letting the payment through. Yet multiplied across hundreds of billions of payments each year, the tolls create a vast and highly profitable revenue stream.

Note that once the network is built, processing additional transactions costs very little and therefore carries exceptional incremental margins. As payment volumes grow, revenues can rise much faster than operating costs. This is why both companies consistently generate some of the highest operating margins in global equity markets.

Nobody wants to leave the network

Mastercard and Visa's dominance rests on several reinforcing advantages: trusted brands, acceptance at millions of merchants, deep relationships with banks, vast amounts of transaction data, established operating rules and unrivalled global scale.

Together, these create a network effect that has taken decades to build and explain why so few companies attempt to compete with them directly. Most new payment businesses choose to work with Mastercard and Visa rather than replace them.

A typical financial technology company can build a better app, offer lower fees, or create a more attractive customer experience. Yet when a customer taps their card or phone to pay using Apple Pay or Google Pay, the transaction will often still rely on Mastercard's

Continued on page 18

"Local payment networks are not necessarily threats to the duopoly"

Continued from page 17

and Visa's underlying infrastructure. In the payments industry, this is known as riding the rails.

Building a rival system would require far more than better technology. A competitor would need to persuade thousands of banks, millions of merchants and regulators around the world to adopt an entirely new standard. This is what makes Mastercard's and Visa's position so difficult to attack. Their advantage is not simply the technology itself. It is the system surrounding it: the banks, merchants, rules, data and trust that have accumulated over decades.

Every few years, a new technology arrives that promises to make Mastercard and Visa irrelevant. So far, none has succeeded. Digital wallets such as Apple Pay and PayPal improved the customers' experience without replacing the underlying networks.

Account-to-account payment systems and QR-code payments can be cheaper for merchants because they bypass traditional card networks. However, they tend to work best within individual markets. They solve the problem of cost, but not the challenge of creating a trusted global network for international payments.

A longer-term uncertainty is whether AI-driven commerce creates an entirely new payments architecture. If machines begin executing transactions on behalf of consumers and businesses, the winners will need secure digital identities and trusted authorisation systems. Whether that creates an opportunity for Mastercard and Visa or opens the door to a new competitor remains uncertain.

The geopolitics of payments

Still, the nature of the competitive threat may be changing in other ways. For decades, global payments operated under the assumption that financial networks would remain politically neutral. That assumption has weakened. The increasing use of financial sanctions and restrictions on cross-border payments has reminded governments that whoever controls critical financial infrastructure also holds significant influence.

The response has been a push towards greater financial independence. More countries have already been building their own domestic payment networks, such as Brazil's Pix and India's UPI, which allow consumers to transfer money directly between bank accounts, often at little or no cost. If more governments come to view payments as a matter of national security as well as cost and efficiency, they will have the ability to build domestic alternatives.

Mastercard and Visa still have a major advantage in international commerce, where global acceptance matters far more than simply moving money from one account to another. However, even if the expansion of domestic networks is unlikely to displace them from this role, they can gradually reduce payment volumes – and hence revenues – from national markets that have historically been an important source of activity.

Mastercard and Visa are adapting rather than resisting. Instead of insisting that every payment runs through their networks, they increasingly provide the layer of technology that allows different systems to operate securely. More broadly, both companies have long been expanding beyond their traditional business of moving payments from one bank to another.

Regulation has constrained traditional payment fees – particularly interchange fees earned by banks, which are capped in many countries. Meanwhile, competition has encouraged financial institutions and merchants to demand more sophisticated services.

So Mastercard and Visa have focused on value-added services. They now provide technology that

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An Apple Pay or Google Pay transaction will still rely on Mastercard or Visa

helps banks and businesses prevent fraud, verify identities, secure digital payments and analyse transactions. Just this week, Visa announced a new deal to buy BioCatch, a fraud intelligence firm, for $2.4bn.

This shift has strengthened an already attractive business model. In effect, the duopoly are moving from simply operating payment networks to providing the software that helps many different payment networks function, and keeping payments safe and reliable.

"Technology that wins is technology that people stop thinking about because it simply works"

The trust layer

Whether this strategy is enough to offset future threats remains one of the biggest questions facing the industry. Mastercard and Visa have survived previous attempts to bypass them because most innovations have changed how we pay, not how payments are trusted and settled.

Sovereign payment systems, account-to-account transfers and blockchain-based settlement all represent more meaningful challenges. Yet history suggests that the duopoly are highly effective at adapting to new payment rails rather than being displaced by them.

Tomorrow morning, millions of people will buy a coffee with a tap of a card, phone or smartwatch without giving the process a second thought. Behind that simple action, a global network will verify their identity, assess fraud risk and connect two financial institutions in a fraction of a second.

That reliability has helped make Mastercard and Visa two of the world's most valuable companies. They are an essential part of the global economy. The technology that wins is often the technology people stop thinking about because it simply works, and that may be their greatest competitive advantage.

Their asset-light models, powerful network effects and trusted brands have produced two decades of exceptional returns for investors. There are still clear opportunities for growth as cash continues to decline, cross-border commerce expands and value-added services become a larger part of the business.

Still, none of that guarantees attractive investment returns from this level. The market already recognises their quality and values both companies accordingly (both are on a trailing price/earnings ratio of around 31 at time of writing). The real question is not whether these remain exceptional businesses, but whether future growth will be sufficient to justify the premium investors already pay for them. Disruption need not destroy the networks to disappoint shareholders. It only needs to erode the ambitious expectations embedded in today's valuations.

An unloved fintech going cheap

This lending platform has had a tricky time since floating in 2018, but looks well-placed for growth

Rupert Hargreaves
Investment columnist

Funding Circle no longer relies on the crowd to support it

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Investors have struggled to understand **Funding Circle (LSE: FCH)** since its initial public offering (IPO) in 2018. The City had been looking for a valuation of £1.75bn, but the fintech could only get away with £1.5bn – even though half the offer was taken up by one single whale investor. The shares then fell 23% in the first week of trading, and they have never recovered to trade above the offer price of 440p.

However, after a long spell marred by poor returns, losses and uncertainty, the outlook may now be improving. To see why, we should first look at what the business does and how the model has changed.

Finding a new direction

Funding Circle was founded to help improve access to finance for the UK's small and medium-sized enterprises (SMEs) by connecting investors and borrowers. In its first few years, the company spent heavily on technology to build its platform and marketing to reach to potential customers. These efforts consumed all of its profits and more. In 2018, 2019 and 2020, the business lost a total of £230m.

Initially, it started off as a peer-to-peer (P2P) lending platform connecting retail investors with SMEs that wanted to borrow. This was designed to disrupt the traditional lending market where a lender uses its own balance sheet to fund loans. Instead, Funding Circle provided the technology that sat in the middle connecting the two parties. However, this proved to be too costly to be effective. So the group suspended access to its P2P platform to new investors in April 2020 at the start of the pandemic and permanently closed the platform in 2022.

The pandemic enabled Funding Circle to make the most of government lending schemes, allowing the business to drastically reduce costs. This is the model it still uses today. A combination of government financing and institutional-backed lending meets the group's funding needs.

The company reaped the benefits of this shift almost immediately. For the 2021 financial year, it booked a profit of £64m, a sharp turnaround from the prior year's loss of £108m. Most of this growth was driven by the government's Bounce Back Loan scheme during the pandemic. In the following two years, Funding Circle slumped back to a loss. Then, after two years of losses (totalling £40m), it returned to profitability in 2024. This time it looks as if the lender has cracked the code.

Funding Circle (LSE: FCH)

Share price in pence

Reaching escape velocity

Funding Circle has now reached "escape velocity" after reaching a "key earnings inflection point", say brokers Canaccord Genuity. For 2025, the group reported sales of £204m and adjusted profit before tax of £26m. In the first six months of the current financial year, management has outlined revenue growth of 50%, with £23m of profit before tax at a 17% margin.

The firm tends to see more borrowing activity in the first half of the year. Even so, based on activity in the second half of 2025 and first half of 2026, Canaccord Genuity estimates a run-rate of more than £250m of revenue and £37m of profit before tax. These numbers are all the more impressive considering the funding environment. The last time the company was this profitable was during the pandemic, when demand was high and money was cheap. Today, rates are still elevated and economic activity is mixed, to say the least.

Funding Circle has always had a technological edge. This allows it to assess borrowers quickly and efficiently before making a lending decision. The group also now runs servicing, reporting and performance history at a scale that is difficult for newer entrants to replicate. That's why it's become good at attracting institutional capital. Its well-honed, home-grown tech does the hard work, giving capital providers the returns they require with low risk.

In the first half of the year, the company inked £900m of forward flow agreements – commitments from funders to purchase a regular stream of newly created loans – with lenders such as Deutsche Bank. A total of 93% of assets under management now relate to this off-balance sheet funding.

An edge in information

Meanwhile, Funding Circle has branched out into new products, including short-term lending. In doing so, it has evolved from a term loan provider into a broader SME finance platform built around three customer propositions: long and short-term loans, FlexiPay (buy now pay later) and credit cards.

These increase the platform's appeal to borrowers, while also helping Funding Circle enhance its information edge. A borrower that uses all of these products generates a huge amount of data to feed back into Funding Circle's lending models. Those models now have 15 years of proprietary data across credit cycles to underpin lending decisions.

As Funding Circle builds on the foundations that it has created, profit growth should accelerate over the next few years. Canaccord Genuity has pencilled in top-line growth of 50% to nearly £300m by 2028. As the group scales its tech platform, its adjusted earnings before interest, tax, depreciation and amortisation (Ebitda) margin will expand from 15.3% to 27.6% according to the broker. Ebitda is forecast at £82.2m for 2028, with profit before tax rising to £72m.

Cash balances are also expected to rise materially, from £101m at the end of 2025 to £257m by 2028. Based on these forecasts and at a share price of 226p, Funding Circle is trading at eight times pre-tax profits for 2028 after adjusting for cash, with a projected free cash flow yield of 15%. That's far too cheap for a business that's set to grow its top line at a compound annual rate of more than 20% for the foreseeable future.

How to make tax digital

The new income-tax system could give your business a boost

David Prosser
Business columnist

How is your business approaching Making Tax Digital (MTD), the new income-tax system introduced by HM Revenue & Customs for hundreds of thousands of sole traders and landlords? MTD will undoubtedly add to your workload, with the first submissions due this week.

This has prompted criticism from those worried about adding to the burden on small-business owners already struggling to keep their heads above water. But it could also be an opportunity to get to grips with your finances, and, ultimately, to make your business stronger for the future.

No business owner welcomes extra compliance work. But for most sole traders, MTD should not prove too onerous once they're up and running with the new system; nor should it add significantly to their costs. (The stories below explain how MTD works and where to find free tools to help you cope.)

Staying up to date

Moreover, one hugely positive impact of MTD is that it will give you much greater visibility of exactly where your finances currently stand. Each quarterly return you make provides a snapshot of how your firm has performed over the previous three months: the revenues it has earned and the costs it has incurred. Furthermore, you'll get an instant estimate from HMRC of the income-tax liability you've built up so far for the current tax year.

As a result, your view of your business will be far more up to date. By contrast, under the self-assessment tax system, sole traders don't have to file any details of their trading until January in the year following the end of the tax year. Some of the return will cover trading that took place almost two years previously.

In that context, MTD could be transformative for business owners who take full advantage. It provides the perfect opportunity to review your business's performance on a regular basis: every three months, you can assess whether sales are hitting expectations and whether costs remain under control. You should identify problem areas much more quickly, and will therefore be able to intervene earlier on. You will also have a clear idea of how much tax you're going to have to pay later on.

There will be more paperwork with MTD, but there are also upsides

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Armed with this data, you can make much more sensible business decisions, including those that enable you to pursue new opportunities. Perhaps, say, you have more cash in your business than you'd realised – in which case, could you increase your marketing spend or invest in new technology to drive future growth?

You'll also be able to have a much better-informed conversation with lenders, potentially enabling you to secure finance for future growth on more advantageous terms. And there's also an opportunity to make better personal-finance decisions. For example, quarterly returns might enable sole traders to find room to increase their pension contributions. All of this is relatively basic financial planning. But it's an activity that small-business owners often overlook. They're understandably consumed with the day-to-day management of the business and have little time to review performance or to work out plans for future growth.

The upshot is that sole traders in scope of the new MTD system have no choice about whether to take part; doing so is a legal requirement and there will ultimately be penalties for those that don't comply. In which case, it makes sense to take a glass-half-full approach to MTD: treat it as an opportunity to supercharge your planning and forecasting capabilities – and ultimately as a means of making better decisions about the long-term potential of your company.

Who must sign up – and when?

Under the MTD system, around 860,000 sole traders and landlords are now obliged to make quarterly returns to HM Revenue & Customs, detailing their income and expenses over the previous three months. You'll almost certainly be required to sign up if your annual income exceeds £50,000. This threshold will fall to £30,000 and £20,000 in April 2027 and 2028 respectively. Your first submission for the current tax year, which began on 6 April, is due on 7 August, and will cover the first three months of 2026-2027. You'll then be expected to make three further submissions by 7 November, 7 February and 7 May. Alternatively, you can change your submission dates to make life easier if your business operates with month-end accounts. You must do this before you submit your first return of the tax year.

The introduction of MTD has no impact on when you must pay your tax bill. You'll still be required to file a self-assessment tax return by 31 January in the year following the end of the tax year. You'll also be required to settle any outstanding income tax for the tax year by this date. Most sole traders also make "payments on account" on 31 January and 31 July each year. The good news is that HMRC has promised not to charge fines or penalties for those missing MTD-return deadlines this year. But don't be complacent – the longer you leave it to get to grips with the new system, the harder it will be. And HMRC will eventually begin to penalise those who don't comply.

Petty cash... software to get started

If your business is relatively straightforward, you may be able to manage Making Tax Digital with a basic software package that costs you nothing. There are plenty of these available on a standalone basis. But start by checking with your bank. Many offer free software to their business customers, making it simple to pull data directly from your bank account for your MTD submission.

Otherwise, startups.co.uk has recently published useful research on the free packages available, comparing the features on offer from each tool, as well as usability and customer service. Its top picks include Zoho Books, which it praises as being intuitive and easy to use, and Clear Books, which it singles out as being ideal for sole traders with very simple affairs. Startups.co.uk also rates FreeAgent highly, which is free to firms that bank with NatWest, Royal Bank of Scotland, Ulster Bank and Mettle.

The alternative to specialist accounting software is to look at a bridging solution. These are apps that can take data from spreadsheets you currently use for record-keeping – particularly Excel ones – and turn the information into a return that complies with the MTD requirements.

This can be a helpful solution for business owners who are not yet ready to make the leap to a new approach to accounting. But you must use bridging software that has been approved by HMRC. The tax authority publishes details of these approved solutions at tax.service.gov.uk.

Admiral looks admirable

The insurer is harnessing AI and continues to diversify its operations

Matthew Partridge
Shares editor

The boom in AI-related stocks has bolstered equity markets' valuations around the world. However, investors have also been concerned that for some companies the technology could prove a double-edged sword. Earlier this year, several firms saw their share price slump owing to fears that AI-powered rivals could capture most (or all) of their business. However, since then many of these stocks have bounced back, with investors deciding that such fears are overhyped.

One example is the insurance company **Admiral Group (LSE: ADM)**. Admiral's shares slid 14% in January after US firm Lemonade, which uses AI to process claims, launched a cheap policy for self-driving cars. While the policy was aimed at US consumers, it fuelled fears about AI being used to undercut traditional insurers.

Investors also fretted that the better driving record of autonomous vehicles compared with those steered by people could reduce the need for car insurance. Some analysts, such as AJ Bell's Dan Coatsworth, wonder whether car insurance will eventually be purchased by car manufacturers rather than by individual drivers.

Exploiting technology

Yet even if such fears come true in the very long run, it's worth noting that full self-driving for individual cars (as opposed to a relatively small number of taxis currently on the streets) is at least a decade away from mass adoption. In any case, Admiral has itself been using AI and digitisation to cut costs and give it an advantage over its main rivals.

Earlier this year, Admiral also bought Flock, a technology firm it had been working with. The purchase gives it full access to, and ownership of, Flock's technology, which uses AI and telemetry (the process of collecting data from remote sources and passing it to a receiving system) to judge how well people are driving.

The firm's investors have enjoyed record dividends

©Admiral Group

Meanwhile, Admiral has been taking steps to diversify its business by branching out into household, travel and pet insurance. While these areas currently make up only a small proportion of overall profit, they are growing at an extremely rapid rate, which should improve the group's medium-term prospects.

Meanwhile, sales almost tripled between 2021 and 2025, and are forecast to keep growing over the next few years. While profits have been more volatile, they have increased since 2021. Admiral boasts strong margins, with a double-digit return on capital employed. This has allowed the group to raise dividends to record levels. The stock's valuation also looks attractive at 15 times expected 2027 earnings and a dividend yield of just under 5%.

"The group's sales almost tripled between 2021 and 2025, and should keep growing"

Admiral's share price has plenty of momentum behind it, having beaten the overall UK market over the last one, three and six months. It is trading well above its 50- and 200-day moving averages, and has also been one of the best performers in the FTSE 100 over the last six months. I suggest that you go long at the current price of 3,772p at £1 per 1p. I would put the stop-loss at 2,800p, which would give you a total downside of £972.

Betting on politics... US governors' races

In three months' time Americans will go to the polls for the mid-term elections. A third of the Senate and the entire House of Representatives will be contested. Most analysts agree that Donald Trump's poor approval ratings and the cost-of-living-crisis mean that Republicans will do badly, almost certainly losing control of the House and possibly the Senate as well.

But when it comes to state governorships, which are more influenced by local dynamics, there are some interesting contests. In New Hampshire incumbent governor Kelly Ayotte is the favourite to be re-elected, with Ladbrokes putting the Republicans at 1/5 (83.3%) and the Democrats at 10/3 (23.1%).

The last time the Republicans carried the Granite State in a presidential election was in 2000, but Ayotte is relatively popular with voters and has maintained a comfortable and consistent lead in polls of between 6% and 8% against her opponent Cinde Warmington, who has been criticised for her past as a lobbyist for the controversial (and now defunct) drug firm Purdue Pharma. I'd therefore take the bet on Ayotte winning.

In Georgia, Ladbrokes has the Democrats as favourites at 4/6 (60%) with the Republicans at 10/3 (45.4%). Polls put Democrat Keisha Lance Bottoms ahead of Republican Rick Jackson. Crucially, surveys also suggest that there are relatively few undecided voters, which will make it hard for Jackson to close the gap with Bottoms: he will need to convince some of her voters to change sides. I therefore suggest putting money on the Democrats winning this contest.

How my tips have fared

It has been another mixed fortnight for my eight long tips, with four rising and four depreciating. Travel and insurance firm Saga rose from 644p to 679p. Barclays went up from 512p to 515p; and housebuilder Galliford Try increased from 583p to 590p.

However, spread-betting and investment platform IG Group dropped from 1,733p to 1,371p; energy company SSE declined from 2,476p to 2,356p; and investment platform AJ Bell fell from 600p to 587p. Insurance firm Hiscox declined from 1,859p to 1,777p. The overall result was that the net profits on my long positions decreased from £1,527 to £1,114.

The performance of my short tips was better, with two of the three moving in my direction. After enduring a one-for-150 reverse stock split (whereby those who previously had 150 shares had them turned into just one), electric-vehicle maker Faraday Future Intelligent Electric plunged from $0.11 to the pre-split equivalent of $0.04.

Electric-aircraft manufacturer Archer Aviation also declined – from $5.31 to $4.84. Only delivery-robot outfit Serve Robotics bucked the trend, rising from $5.19 to $5.65. My ongoing short tips are now making combined profits of £1,722, up from £1,571.

The combined positions are now making £2,685, down from £3,108. I suggest that you take profits of £1,080 on Faraday Future Intelligent Electric.

This leaves my trading portfolio with 11 positions. I have nine long bets (Barclays, SSE, Galliford Try Holdings, IG Group, Saga, AJ Bell, Hiscox, Expedia and Admiral) and two short positions (Serve Robotics and Archer Aviation).

I would recommend that you raise the stop-losses on Barclays to 395p (from 390p); SSE to 2,000p (1,950p); Galliford Try to 395p (390p); IG Group to 1,250p (1,200p); Saga to 430p (425p); AJ Bell to 435p (430p;) and Hiscox to 1,400p (from 1300p). In addition, I suggest that you also now lower the price at which you cover Archer Aviation to $6.50 ($7) and Serve Robotics to $12 ($13).

The stocks helping Europe strengthen its standing in a turbulent world

A professional investor tells us where he'd put his money. This week: Harry Halewood, product specialist for the Making Europe Great Again UCITS ETF

As the world becomes more divided and unpredictable, countries are shifting their focus back to producing things at home. They are realising that while there are benefits to global trade and specialisation, relying too heavily on other nations leaves them exposed. Europe, which embraced globalisation and trade, is left vulnerable.

The continent has therefore set up several major funding programmes to strengthen its own defence, infrastructure and industrial capacity. We call this the "Making Europe Great Again" agenda. It is creating a potential tailwind for stocks on the continent.

A strong tailwind

Ørsted A/S (Copenhagen: ORSTED) is the largest energy company in Denmark and a global leader in the development, construction and operation of wind farms. It boasts the offshore wind farm with the highest capacity in the world. Renewables are seen by Europe as a solution to its dependence on gas imports.

Despite a long-term decline in the share price, Ørsted has seen key financial metrics, including profit and cash flow, increase since 2021. The consensus among analysts is that Ørsted has become a buying opportunity, with increasing levels of cash and tradeable assets improving the company's financial health.

Ørsted is engaged in projects spanning multiple continents, notably the completion of Hornsea 3, a wind farm in the North Sea off the UK coast that could provide continuous power to 3.3 million homes. This project and others are eligible for support from €800m of a €1.2bn loan facility from the European Investment Bank that remains outstanding.

ACS Group, or Actividades de Construcción y Servicios (Madrid: ACS), is a Spanish company providing construction and related services. ACS recently took the decision to increase its overall exposure to digital infrastructure, taking a primary role in a partnership with BlackRock under which the €2bn joint venture will collaborate to build a data-centre pipeline with a capacity of 1.7 gigawatts.

"The number of drones used in the war in Ukraine soared 1,000% in 18 months"

ACS has made clear that this is one step on the journey towards establishing the firm as a global leader in the digital-infrastructure sector. This shift away from third-party contracted involvement to ownership and development of data-centre facilities clearly displays ACS's desire to insert itself into this rapidly expanding industry. ACS has predicted that the firm's overall income from digital infrastructure will rise from €10bn in 2025 to €25bn in 2030, suggesting scope for considerable returns in future.

Denmark's Ørsted A/S is the world leader in the construction of wind farms

©Ørsted

Thales (Paris: HO) is a French company providing various offerings in the defence, aerospace and digital-security sectors. Defence makes up 50% of sales. Long-term public-procurement contracts predominate in this area, making Thales a potential recipient of Europe's defence-spending splurge.

Thales has signed both public and private partnerships, including making a 60% jump in the production of radar antennas for the Netherlands' Ministry of Defence and a deal with Renault to produce 1,000 units per month of the Thales Toutatis loitering-munitions drone, up from 150 per year.

The second agreement is particularly noteworthy. The use of drones in the conflict between Russia and Ukraine has brought the concept into the mainstream. From early 2024 through to summer of the following year the number of drones used in the conflict increased 1,000%. With European countries realising their own need to catch up in this regard, Thales appears to be positioning itself to follow this trend upwards.

©Charles Peattie and Russell Taylor

A genius shooting for the moon

“Baby-faced billionaire” Yang Zhilin was a teen coding prodigy. Now he is moving global markets with China’s most significant contribution to AI since DeepSeek. Jane Lewis reports

“Who’s Kimi? And why are you talking about Chinese models?!” one tech geek wrote on X in July, joking about his girlfriend’s exasperation over his latest obsession. It didn’t take Wall Street long to find out, says The Times. In the biggest shock to Western markets since DeepSeek last year, hundreds of billions of dollars were wiped off AI and chip stocks following the launch of Kimi K3 – the most advanced “open-weight” large language model to emerge from China yet, topping many benchmarks with its capabilities “at a third of the cost”.

At a stroke, notions of Silicon Valley’s technical dominance have been swept away. Kimi’s developer, Beijing start-up Moonshot AI, is challenging the likes of Anthropic and OpenAI at the frontier – prompting questions about their mega-valuations. Moonshot’s founder – “baby-faced” billionaire Yang Zhilin – has a good story to tell too, says The Telegraph. A prog-rock devotee, who named his firm in honour of Pink Floyd’s *The Dark Side of the Moon*, seems in tune with Western ideas and culture.

©Getty Images

“He has enabled China to cast itself as a champion of low-cost, open-source AI”

Heading to China’s MIT

Indeed, the 34-year-old has built a “mythology” that has “helped distinguish Moonshot from China’s otherwise austere AI industry”, says the Financial Times. Employees describe an intense culture of long hours in Moonshot’s headquarters in Beijing’s Haidian district. “But Yang has also infused the company with his own... obsession with rock music... A white piano stands prominently in the office.”

Yang was born in 1992 and grew up in Shantou in the southern state of Guangdong – China’s industrial heartland. Former classmates recall that he was always “unusually gifted”. Having started coding in high school, he won first prize in the National Olympiad in Informatics, earning him direct admission to Tsinghua University, often dubbed “China’s MIT”.

Even in that specialised atmosphere, he was known as “Yang the genius” because of the way he managed to balance elite academic performance with his musical interests. He was a drummer in a campus band called Splay, organised music competitions and gained a reputation for being “romantic and idealistic”. Some reports suggest that he switched his undergraduate degree from thermal engineering to computer science, having been inspired by a Haruki Murakami novel.

In 2015, Yang completed his PhD at Carnegie Mellon University, where he studied under AI gurus Ruslan Salakhutdinov and William Cohen, worked at Google Brain and Meta, and founded a retailer-focused start-up, Recurrent AI, before returning to China in 2019. In 2023, he co-founded Moonshot AI with Tsinghua University classmates.

“Recurrent AI taught him how to woo investors and scale a business,” says The Telegraph. “But he learned painful lessons too.” Moonshot’s early years, when he attempted to build a “Chinese-first version of ChatGPT”, were marred by a lawsuit from investors in Recurrent AI that saw him hauled before the Hong Kong International Arbitration Centre before a settlement was reached.

Moonshot’s chatbot Kimi was an instant hit, but also “plagued by outages and... overtaken by larger rivals”, says the FT. Rival Deepseek’s successful R1 model was another “existential test”. Yang returned to the laboratory to focus on model training. He also made the pivotal decision to make Moonshot’s AI models available to developers globally. Moonshot’s open approach has enabled China to “cast itself as a champion of low-cost, open-source AI”, says The New York Times. But that openness has raised concerns in Beijing about “the potential threats the technology might pose” to Communist Party rule. “[He] may be wise to moderate his views,” says The Telegraph. “Other tech billionaires in China have found... that the Party likes its economic champions on a short leash.”

Paranormal spoonbender takes on Trump’s mind

©Shutterstock

It’s been more than 50 years since Uri Geller (pictured), a former catalogue model, appeared on a BBC chat show – and “bamboozled all watching with his alleged paranormal abilities”, says Guy Kelly in The Telegraph. Introduced as “a 26-year-old Israeli who’s had various powers since he was three”, he could “seemingly use his mind to stop watches, reproduce drawings he’d never seen” and, most famously, “bend cutlery”. A Daily Mail poll asked readers whether they believed him; 95% said they did. That performance launched Geller into mind-boggling levels of “fame, riches... and opportunities”. Could anybody else claim Michael Jackson as their best man and say they’ve done tricks for Golda Meir, Kim Kardashian and Salvador Dali?

Still spry at nearly 80, Geller attributes much of his success “to my chutzpah”. But the stunts help too, says The Guardian. He has “spent years concocting headline-generating capers that often fall flat”, such as “his vow to use the power of his mind to stop Brexit”. So far, his promise to use psychic powers “to prevent the Russian leader, Vladimir Putin, from launching a nuclear strike” seems to be holding up. Geller doesn’t mind if his paranormal powers fail to deliver, says the BBC: he’s a believer in Oscar Wilde’s dictum that “the only thing worse than being talked about is not being talked about”. He was sad, notes The Telegraph, when the late magician James Randi died after spending years trying to rumble Geller as a “huckster”, describing him as “my best publicist”.

At the peak of his fame, Geller hauled in the cash working for companies who would ask him to predict the stockmarket, or find mineral deposits. But having moved from Britain back to Jaffa in Israel, the “adrenaline-fuelled” psychic has made building a dedicated Uri Geller museum his lifework, says The Guardian. “He runs every tour.” It’s an extraordinary place, crammed with pictures of celebrities and international politicians and strange objects and mementoes that have defined his life. “My next mission is to influence Donald Trump’s mind,” he told The Telegraph. He’s disappointed about the US president’s “betrayal of Israel” and his old friend Benjamin Netanyahu in recent Iranian peace talks. “In my opinion... somebody screwed up his mind.” He’s planning to install “a photoshopped image of Trump as Satan”.

Who pays for emerging art?

Sarah Ryan explains the challenges of running an art gallery and why she is setting up a foundation

The writer Bret Easton Ellis once said that his advice to young artists was simple – marry someone rich. The line holds because, well, it's true. Ellis may be biased towards seeing the uglier logic of money – the way it quietly shapes outcomes while pretending not to – but in this case, the bleak diagnosis is backed up by the numbers.

The art market does not reliably sort by talent. It sorts by who can keep going, stay visible, absorb unpaid years, access the right rooms, and remain legible to collectors and institutions long enough for momentum to build. A striking statistic from the most recent Frieze London art fair is that just 7% of exhibiting artists came from working-class families.

This statistic is not saying "talented working-class artists are being excluded" (which would be bad enough). It is saying something harder – the conditions for becoming an artist are already filtered by class before the market even gets to pretend it is judging talent. Talent is not the organising force. Survival is.

Making the market see

I founded New Blood Art, a gallery, in 2004, because I could see a gap the market had not built a mechanism for – the gap between serious artists leaving art school and buyers who wanted thoughtful original work by credible emerging artists, but who had no reliable way of finding it and needed a trusted filter.

New Blood Art did not simply spot artists before the market noticed them. Rather, it created visibility, credibility and access for collectors at the point when a market around them did not yet exist.

Take artist Georgia Dymock. We introduced her at New Blood Art in 2020, just after her graduate diploma in fine art at University of the Arts London. We listed her painting *Purple Pinch* (pictured right) at £1,700. In April 2022, it sold on the secondary market at Phillips' "New Now" auction for £23,940 – a fourteen-fold increase in under two years. The fourteen-fold increase is exceptional. The pattern is not.

Across 22 years, New Blood Art has had many examples of artists first shown or supported early on, who later gained serious market traction. Without that initial platform, credibility, access for collectors and market context, would the later traction have happened in the same way, or at the same speed?

We can't say for certain that those artists wouldn't have garnered attention without New Blood Art. But the pattern across 22 years makes the question legitimate, and it becomes reasonable to argue that early visibility, credibility and access for collectors materially affected the speed or likelihood of later traction, alongside my ability to identify serious artists early.

What 22 years taught me

The artists who survive long enough to build meaningful careers are usually those with some form of material protection – financial stability, housing security, helpful geography and, above all, the capacity to absorb years of low or unpaid work. Most art students leave college with debt, need to earn, and cannot afford the years that an art career takes to build. And when only a small group can afford to keep going, only a small group get to tell the story of the world. Whose stories have we lost from the history of art?

The economics of early-stage work

The second realisation is commercial, and perhaps it has taken me this long to see it clearly because New Blood Art arose out of idealism as much as being a business interest. Consider where Dymock's £22,000 uplift went. A modest resale royalty may have returned to the artist under Artist's Resale Right, but the larger gain went to the auction house and the early seller. Nothing returned to the platform that showcased and launched her. That is the economics of early-stage work – the identification, advocacy and development that actually forms careers carries sustained cost, while the rewards concentrate later, elsewhere in the market. Yet if nobody does this work of launching serious artists, then these artists don't gain visibility. The work is essential, while structurally unpaid. My gallery has, in effect, carried a public-interest function that the economics of the sector never reflected.

Splitting New Blood Art in two

There have been personal costs, too. Sustaining an independent gallery for 22 years without venture capital, while also carrying early-stage artists' development work the emerging art market does not properly pay for, had become unsustainable. Professionally and

Wine of the week: fill up your trolley at Tesco

2023 The Long Road, Viognier, Cape South Coast, South Africa

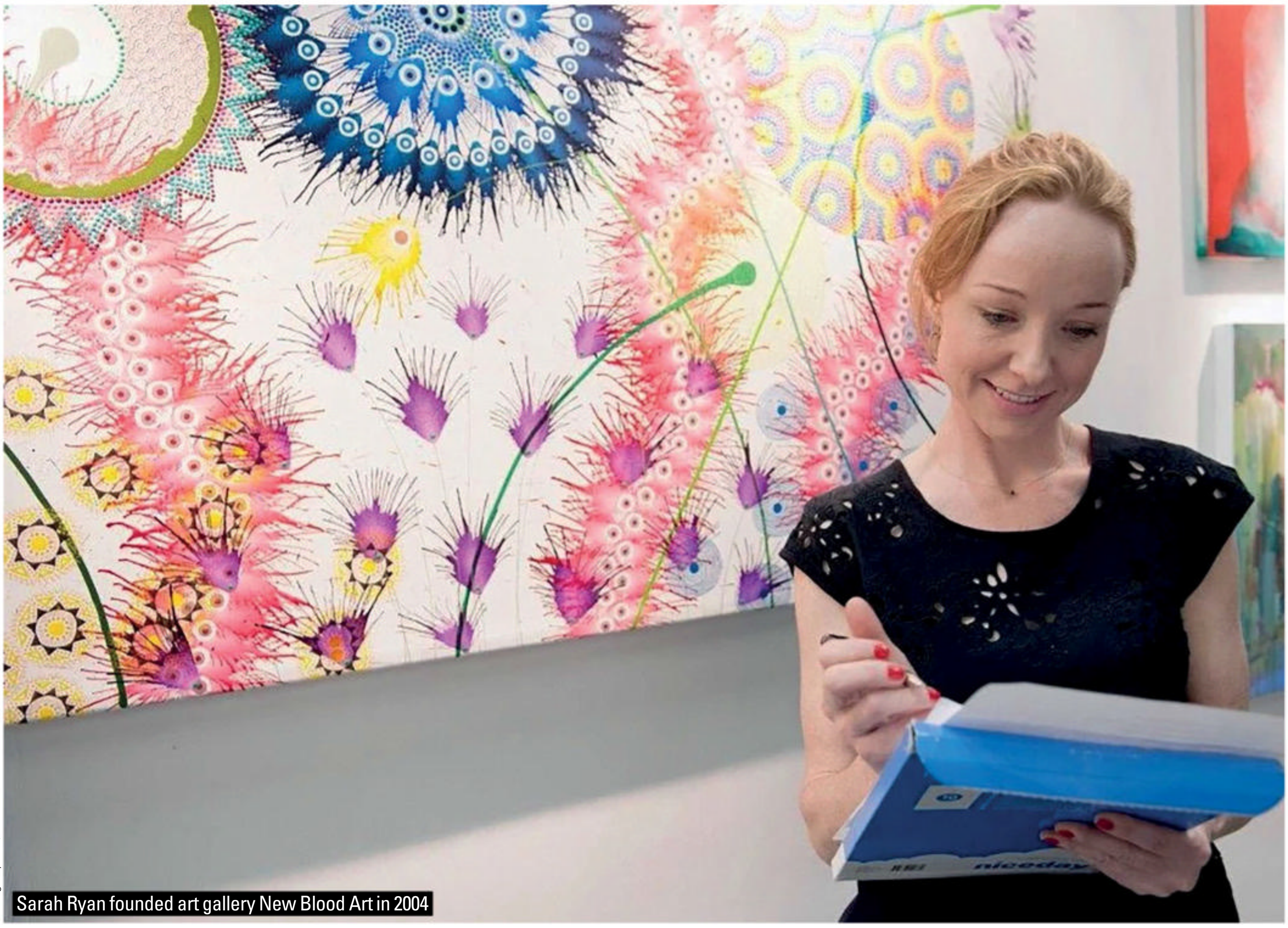
£18.50, Tesco

Matthew Jukes
Wine columnist

This week, a Magnificent Seven from Tesco, starting with a rare, elite viognier. Made by superstar winemaker Samantha O'Keefe of Lismore fame, this white boasts a bold palate and a swashbuckling air, while also being balanced and impeccably refined. Next, 2025 Pikes Riesling South Australia (£13, reduced to £11 Clubcard price until 10 August) offers crazy value for a stellar dry riesling from one of the Clare Valley's greatest names. The 2025 Dianthos Xinomavro Rosé Greece (£10.50) is astonishingly good. Clean, bright, teasing and with a halo of pomegranates and cherries and sea-spray freshness, this is one of the most unlikely hero rosés of the year! The 2024 Malbec Comté Tolosan France (£5.25) is not a big, sweaty, oaky malbec. It reminds me of the *vin du patron*-style house wines I tasted in the 1980s.

The 2024 All (good) things Shiraz Western Australia (£10, reduced to £7.50 Clubcard price until 10 August) is a top-quality, innovative newcomer on the Aussie wine scene. The fruit found here is tip-top quality. It is sleek, ripe, seamless, blackberry-soaked, and enchanting. The 2024 El Esteco Malbec Argentina (£14.50, reduced to £12 Clubcard price until 10 August) shows a perfectly balanced blend of fruit, spice, oak and tannin, and it's a worthy wine with uncommon velvetiness. I rarely write up Argentinian malbecs, yet I love surprises. Lastly, 2023 Tesco Finest Napa Valley Oakville Cabernet Sauvignon California (£16.50) is a bonfire-night-tinged blackcurrant bomb, yet it doesn't overstep the mark in terms of oak or alcohol, making it beautifully luxurious at a killer price.

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



Sarah Ryan founded art gallery New Blood Art in 2004

©Georgia Dymock/ New Blood Art

personally, I needed to step back. I downsized, spent time in a Cornish fishing village, and began asking myself a stark question: was it possible to operate profitably in the emerging art market, while holding on to the values that made the business worth building in the first place?

What has come back from this reflective 18-month period is clarity. New Blood Art had been carrying too much inside one structure and I decided to separate the two kinds of work so both can function properly. The gallery has now become smaller, sharper and more commercially focused, with a tighter roster of contemporary artists, many of whom we first came across years ago at their degree shows. The New Blood Art Foundation is now in formation and it will carry the public-interest and outreach work, including the Emerging Art Prize in collaboration with Fine Art departments across the UK, artists' development, mentoring and, I hope, studios and residencies.

The cost of independence

The route to charitable status has been thought-provoking and demanding. It has forced me to separate mission, governance, money and power. A foundation growing out of New Blood Art cannot simply be a more worthy arm of the gallery; it has to be able to protect its own public-interest purpose, especially where the commercial gallery and the Foundation sit close together. That raises an uncomfortable question. The Foundation is being created to support artists without financial cushioning, inherited networks, or easy access to the art world. But serious governance also requires time, confidence, independence and security. An unpaid independent chair is not just structurally complicated, it is also difficult to find.

The chair needs to be competent in a specialist field, independent, available, committed, financially secure enough to work unpaid, and not personally or financially entangled with me or with New Blood Art. That is a very narrow pool.

A foundation built to address the fact that only the financially cushioned can sustain an art career finds that only the financially cushioned can afford to govern it. Unpaid governance, like unpaid studio years, is a filter.

Artists as infrastructure

The Foundation's long-term vision of permanent bases across the UK rests on a pattern MoneyWeek readers will recognise from the property sector. Developers have long used artists to warm up cold districts – King's Cross, Peckham, Hackney Wick, Deptford. Artists arrive. Creative presence generates cultural heat, footfall, interest from buyers and rising values. Then the studios close and the artists are priced out of the value they helped create.

That cycle is not only unfair; it is economically short-sighted. Artists are not decorative add-ons to regeneration. They are often the source of the atmosphere, identity and desirability that later becomes financial value – value which can dissipate once they are removed. Anchoring artists permanently, as cultural infrastructure, is the enlightened version of that trade – it holds the value where it was made. Housing artists is not philanthropy. It is investment.

This is the opportunity I want the Foundation to build towards – a structure where artists are held as part of the long-term cultural and economic life of a place. For philanthropists, developers, institutions and collectors, this is a chance to support practising emerging artists and bring live cultural energy into buildings and districts.

Artists shouldn't just be used to revive the discarded edges of cities. They should be embedded in places of existing power and value – Knightsbridge, the Square Mile, major corporate buildings, prime developments – because their presence is not remedial, but is inspiring and generative.

In an AI-shaped world, original human creation will become more valuable, not less. This is an invitation to philanthropists, developers and corporations to build with us the conditions where cultural life is visibly happening inside your buildings.

Sarah Ryan is the founder of New Blood Art (newbloodart.com). The New Blood Art Foundation is in formation at newbloodartfoundation.com

This week: houses with wildlife ponds – from a 17th-century former farmhouse surrounded by a moat in Sam

Puddledock, Norden, Corfe, Dorset. Puddledock comprises a 200-year-old building incorporated into a contemporary state-of-the-art house with a deck running the length of the property that overlooks the wildlife ponds. It has vaulted, beamed ceilings and a modern wood-burning stove. 4 beds, 4 baths, recep, 7.06 acres. £2.25m Savills 01202-856873.

Maynards, Little Sampford, Essex. A 1670s, Grade II-listed former farmhouse with a moat that runs around three quarters of the grounds. It has exposed wall and ceiling timbers, oak floors, open fireplaces with wood-burning stoves and a bespoke kitchen. 4 beds, 2 baths, 2 receps, 2-bed annexe, 5 acres. £1.5m Cheffins 01799 -23656.

Pond Cottage, Wilton, Marlborough. This 17th-century thatched cottage is situated in an idyllic position overlooking the village pond. It is accessed by a private bridge and surrounded by gardens that include well-stocked borders and a vegetable garden. The cottage has beamed ceilings, inglenook fireplaces and a large dining kitchen. 4 beds, 2 baths, office/bed 5, 2 receps, utility, garage, £995,000. Hamptons 01672-837178.

pford, Essex, to a converted 19th-century windmill in Leicester

The Mill, Arnesby, Leicester, Leicestershire. A converted, Grade II-listed 19th-century windmill with a two-bedroom cottage and a range of outbuildings set in grounds that include a wildlife pond and a paddock. The mill has a double-height entrance hall, a bespoke staircase and a glass walkway on the first floor that connects the main accommodation with the former windmill. 4 beds, 4 baths, 2 receps, 2 studies, balcony, motor house, 4.44 acres. £2.75m Fisher German 01858-410200.

Bulkeley Grange, Malpas, Cheshire. A restored, Grade II-listed Victorian country house with a terrace with stone steps leading down to a sunken garden, wildflower meadow and a pond. It has oak floors and period fireplaces. 7 beds, 5 baths, 3 receps, kitchen, library, stables, 9.7 acres. £2.25m Savills 01244-323232.

Tinley Lodge, Shipbourne, Tonbridge, Kent. A country house surrounded by gardens that include a large pond with a pontoon, a Japanese garden with a wildlife pond, decking, multiple seating areas and an outdoor kitchen. It has an open-plan dining kitchen and living area with an Aga and French doors leading onto a courtyard garden. 5 beds, 4 baths, 2 receps, study, 1-bed annexe, 2 studios, stables, paddocks, 8.01 acres. £4.95m Knight Frank 020-3967 7176.

Barley Hill Farm, Combe St. Nicholas, Chard, Somerset. A Victorian former farmhouse with earlier origins set in large gardens that include two walled gardens, a wildlife garden with ponds, a wooden footbridge and wooded area adjoining a paddock and an orchard. 5 beds, 3 baths, 3 receps, kitchen, 2-bed annexe, conservatory, office, dairy, 2-bed cottage, 1-bed coach house. £1.65m Knight Frank 01935-812236.

Loughbrow House, Hexham, Northumberland. This late Victorian house is now in need of some renovation. The house is surrounded by landscaped gardens and set on a small estate that includes two cottages, a gate lodge, a pond, a sequence of small streams crossed by stone bridges, a walled garden with a greenhouse, woodland and a former quarry. 7 beds, 5 baths, 3 receps, kitchen, reception hall, library, stables, grazing land, 31.4 acres. £2.1m+ Galbraith Group 01434-693693.

A restful retreat in Vietnam

Katie Monk enjoys peace and serenity at the luxury Four Seasons Resort The Nam Hai


The arrangement of the villas makes the most of the sea breeze

It's 5.30pm and almost dusk as I sit by a lotus lake, sipping green tea and scribbling down some thoughts in a notebook. I'm writing a "Love letter to the Earth" – a few words of thanks and hope while a lady plays three large crystal singing bowls behind me. I fold the piece of paper carefully in four, place it into a lantern with a tea light, then gently lower it into the water. With a gentle push, I send it across the lake to float away into the night.

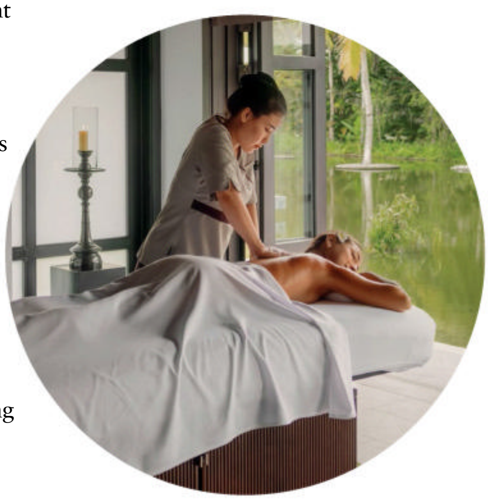
It's a simple, yet powerful, ritual. This small act of gratitude and acceptance is designed to connect guests with the "Interbeing" philosophy and Zen teachings of Vietnamese monk Thich Nhat Hanh. Part of the "Goodnight Kiss to the Earth" ceremony, it's a chance to pause, reflect and let go.

The Four Seasons Resort The Nam Hai – on the outskirts of the Unesco town of Hoi An – has long championed wellness and finding a sense of calm. The award-winning Heart of the Earth Spa has become central to the guests' experience, drawing on local traditions and ritual-based practices. Its programme of alternative therapies, ceremonies and expert-led workshops is underpinned by Thich Nhat Hanh's teachings, and takes place in the main spa building or in independent lakeside pavilions overlooking the water, where each treatment begins with a salt foot scrub and a cup of herbal tea. It's a real sanctuary and, for me, a welcome retreat from the noise and crowds of Hoi An.

The tranquillity extends into the villas. Each night after dinner, I return to a candle flickering by my front door, and two more on either side of my bathtub. With no traffic noise around to disturb the peace, this is a rare luxury in a country that is seldom quiet. There's even a small singing bowl sitting on my desk.

This year marks the tenth anniversary of the resort's Four Seasons rebrand. The resort was originally created according to the principles of *phong thuy* (Vietnamese *feng shui*). Entrances sit to the side rather than the front, huge vases containing water represent the feminine, and sit on square bases that represent the masculine. A series of stepping platforms – tiered swimming pools, stairs and pavilions – cascade down toward the beach. Nothing follows a straight line, everything is flowing.

Sixty suites and 45 standalone villas are spaced across 67 ares, arranged in U-shape clusters to catch the sea breeze. The style references the country's vernacular architecture – dark wood interiors, plenty of stone and local handicrafts. My one-bedroom villa has a back garden with outdoor shower, an open-plan living area, marble bathroom, and bedroom with handcrafted furniture and colourful



textiles. The bed – a four-poster in the centre of the room on a raised platform – is surrounded by silk curtains.

Eat well to live well

The resort's wellness-led approach is found in the dining options, too. Lunch at Lá Sen is a relaxed, open-air affair, where dishes span Vietnamese and French cuisines. I enjoy the "Buddha bowls", which come with either salmon or tuna, and make for a refreshingly light lunch on a hot day, especially with a chilled glass of local kombucha. I try all the flavours – turmeric, spirulina, ginger and beetroot. I take a tour of the orchid house and the vast vegetable and herb gardens. Much of the produce makes its way to the resort's kitchens (a surplus of mangoes goes to the staff).

Afternoons pass in a rhythm of sea-swims and cycling – each villa comes with its own bikes and the resort's car-free paths make for unhurried pedalling between pool, spa and beach. Come dinner time, lanterns are glowing, candles are lit and the resort takes on a romantic atmosphere. I dine at Cafe Nam Hai, which is piloting a set menu of Indian dishes inspired by the royal Mughlai cuisine – aromatic pickles and sambals, delicately spiced salmon tikka, Cham Island prawn komar with coconut rice and a cooling buttermilk lassi. The tandoori pineapple for dessert is unmissable. It's one of the most memorable meals of the trip.

Another night, I sample the Japanese *omakase* counter at NAYUU, where chef Alex Moranda and his team prepare exquisite dishes according to the principles of *gomi* – the five elemental tastes of Japanese cuisine. Sushi and sashimi are prepared with fish and seafood from Tokyo's Toyosu Market, and paired with tea that balances the flavours perfectly.

A new addition to the dining scene is Sol & Sao, which houses the largest collection of sherries in Vietnam. As I sip a dry fino, I chat to Maryia Kryshko, the resort's assistant director of food and beverage. Our conversation drifts from sherry production to wine-tasting in Santorini and the rigours of the industry's exams.

A regular shuttle runs from the resort into the old town of Hoi An, famous for its centuries-old architecture, tailoring shops and the Japanese Bridge. It's particularly atmospheric in the evenings when traffic is limited and the town is more pedestrian-friendly. After a few hours of wandering the night market, eating *gelati* and soaking up the thrum of pottering tourists and puttering lantern boats on the river, the calm and stillness of the resort feels even more pronounced when I return. I run a candlelit bath and soak in the silence.

My love letter is still out there somewhere, floating on the lotus lake. Thich Nhat Hanh wrote that the present moment is the only one available to us. Here, at least, that feels true.

Katie was a guest of Four Seasons Resort The Nam Hai. From around £500 a night, visit fourseasons.com/hoian for details.

Bridge by Andrew Robson

Lovely ruse salvages second-best bidding

Dealer North — Neither side vulnerable

North
♠ –
♥ AK87
♦ AK6
♣ AJ9762

West
♠ J652
♥ J105
♦ 10
♣ K10853

East
♠ A7
♥ 643
♦ J975432
♣ Q

N
W E
S

South
♠ KQ109843
♥ Q92
♦ Q8
♣ 4

The bidding

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

* From no textbook on preempts I have read. J1098765 perhaps, but not J975432. Such bids do make life awkward however...

** Better to jump straight to Four Spades to show a very "Spadey" hand – with little playability elsewhere and also not much slam interest.

*** Unwilling to settle for game with his – albeit misfitting – powerhouse.

West led his singleton Diamond (known to be so given the bidding) and declarer, Gunnar Hallberg from Brighton, considered what would happen if he did the normal thing of winning the Diamond in hand and advancing the King of Spades. East would win (and declarer suspected East held that card – given his anaemic Diamond suit) and lead a second Diamond, ruffed by West. West would also score his likely-guarded Knave of Spades too – down one.

Hallberg tried a swindle. After winning the Queen of Diamonds, he advanced a sneaky nine of Spades (key play). Had West divined the position, he would have risen with his Knave (his partner would then have won a second Spade with the Ace and given him a Diamond ruff – down one). However, West was worried he would be crashing a high Spade in his partner's hand so played low on the nine of Spades.

Fatally. East won the Ace of Spades and gave his partner a Diamond ruff, but declarer could win any return from West and still held the King-Queen of Spades to fell West's Knave. Eleven tricks and game made – what a lovely ruse.

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

Sudoku 1324

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

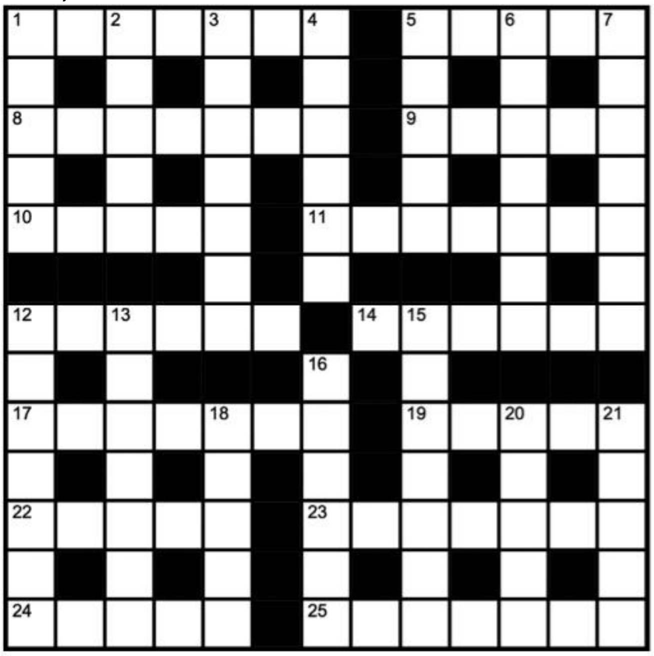
To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

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

MoneyWeek is available to visually impaired readers from RNIB National Talking Newspapers and Magazines in audio or etext. For details, call 0303-123 9999, or visit RNIB.org.uk.

Caper's Quick Crossword No.1324

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 17 Aug 2026. By post: send to MoneyWeek's Quick Crossword No.1324, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1324 in the subject field.



Across clues are cryptic and down clues are normal

ACROSS
1 Rodent emerges from turbulent River Thames (7)
5 Cuts up bits of meat with a bone (5)
8 One like Iago – sick and worthless going around (7)
9 Exercise to capture free group of lions (5)
10 Head of sorcerers enters to heal evil spell (5)
11 Game for elderly woman (3,4)
12 We would change in Asia to tour this country (6)
14 Cook vicar a costly dish (6)
17 Girl wandering around bed finds cheese (7)
19 Australian scavenger beginning to drag short bar (5)
22 Roots about trunk (5)
23 Collects pistol belonging to girl (7)
24 The French returned to warm place to stay (5)
25 Knight backed in places for traditional folk (7)

DOWN
1 Chaos (5)
2 Grinding tooth (5)
3 Circus swing (7)
4 Haphazard (6)
5 Roman god of love (5)
6 Japanese paper folding (7)
7 Thin (7)
12 Extend (7)
13 Passage taken from a larger work (7)
15 Financial checker (7)
16 End a phone call (4,2)
18 Abuse someone on the internet (5)
20 Requires (5)
21 Haven (5)

Name ....

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The winner of MoneyWeek Quick Crossword No.1322 is: Mrs Caroline Smith of Kent

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

Bonds remain a bad bet

The US Federal Reserve is in no hurry to squeeze inflation out of the system

Kevin Warsh, who leads the US central bank, has vowed to fight rising prices – but won't say how

©Getty Images

Bill Bonner
Columnist

In the news this week was Kevin Warsh, the new Fed chief. The Fed had to make a decision on the key lending rate charged to member banks.

Last Wednesday, they announced a pass. As The New York Times pointed out, Warsh "vowed to fight persistent inflation without offering specifics about whether that would include raising rates".

The last time the Fed beat inflation was forty years ago. But controlling inflation when you have less than $1trn in debt, with stocks already on the floor, is one thing.

Getting control when you owe $40trn, with stocks at an all-time high, is another. Inflation has been running at about twice the Fed's 2% target rate for nearly five years. They are in no hurry to stop it.

It's the Primary Trend that counts. And we believe, for interest rates, it is going up. After an entire generation, the bottom in yields was hit on 9 March 2020 with the 30-year Treasury bond yield at 0.99%. Now it's 421 basis points higher.

Bonds have been a death trap for the last six years. But, in a world of ignorance, how can we possibly know what the long-term direction – bull or bear, up or down, long or short – will be? Markets drift and flutter. They do not tell you where they are going. They publish no flight plans. They provide no GPS signals or road signs.

The law of gravity

What star do we steer by? What helps the poor guesser to guess right? First and foremost, the markets themselves. They obey the basic laws of motion. Up is still up; down is still down. And there are limits to both.

When a market is near an all-time high, the upside is mostly on the downside, if you know what we mean. Governed by what may be the most reliable law in the universe, things tend to oscillate, up and down, with a "mean" or "normal" somewhere in the middle. The planets do not wander around the sun; they follow predictable orbits. Markets, too, mostly stay in their lanes.

"In 2020 yields began to rise for the first time in 40 years"

In July 2020, the real yield on Fed funds loans was negative 6%. And that was after 40 years of declining yields. The Fed was giving away money and paying people to take it. Investors could barely believe it. In their bones, they knew it couldn't last.

They knew they should get out of bonds as fast as they could, but prices had got so high, and been rising for so long, that it began to look as though markets no longer functioned: bonds had left their orbit and were now headed out into space, to a distant solar system far, far away.

"Gravity is not just a good idea," they joked with each other. "It's the law!" But gravity didn't seem to be working at all. Had the law been repealed? Did it break down? Was this truly a "new era?" Investors held on, waiting for prices to climb even higher.

Then, of course, gravity was suddenly the law of the land once again. In August 2020, for the first time in four decades, yields began an upward march (and prices marched off in the opposite direction).

Bondholders were thrown back to earth – with their worst losses in history. And as far as we know, interest rates are still going up. The 30-year US Treasury yield rose to a 19-year high of 5.238% late last week. And stocks? Where is the gravity there? Stay tuned.

For more from Bill, see bonnerprivateresearch.com

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