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Why you shouldn't trade with your phone

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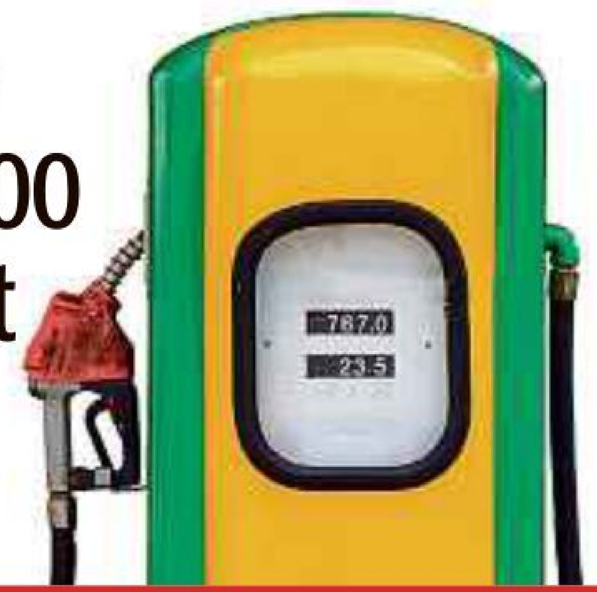

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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

12 FEBRUARY 2021 | ISSUE 1038 | £4.50

Vanquishing the virus

The companies winning the vaccine race

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MoneyWeek

12 February 2021 | Issue 1038

Britain's best-selling financial magazine

From the editor-in-chief...

You will be worried about the debt. That makes sense. As Philip Aldrick notes in The Times, since last March governments have spent $14trn on trying to mitigate the effects of their virus prevention policies. Global public debt has risen from 84% to 98% of GDP – with our own up from 80% to over 100%. But as public debt has risen, net personal debt has fallen. The Bank of England says that we now have £150bn of "excess savings" (£4,000 per household). The Bank expects around 95% to remain saved. That's unlikely (I have Covid-19-related excess savings – I plan to spend a hell of a lot more than 5% of them). But we do know people are thinking of their financial futures more than usual – for example, the number of new accounts opened on investment platforms has soared.

So here's a clever idea. Why not match the horrible public debt to the lovely private savings? Libby Purves thinks this would be brilliant. We should, she says in The Times, issue something similar to the War Bonds that financed some of World War I. They'd be issued by NS&I for a fixed term and pay a fabulous rate of interest (relatively speaking) – "1% or more". And they'd be called something heart-tugging such as Recovery Bonds. Sounds good, doesn't it?

It probably won't be. I suspect Purves found herself much enthused by the drama of the War Bond advertisements with their gory slogans. "Put Strength into the Final Blow" said one, on a poster showing a "bayonet lunge at a cringing foe". But slogans were pretty much all they came with. The interest rate wasn't great, and

"You will be worried about the debt. That makes sense"

was later cut. Worse, they were perpetual – they had no specific repayment date. When they were finally redeemed in 2015 after nearly 100 years (alongside the Consols – issued to finance the Napoleonic Wars) the real value of the cash returned had fallen by over 98%. To buy the same basket of goods as £100 could pay for in 1917 would have cost £6,257.67. How's that for a bayonet lunge at your savings (the fact that your £100 may have tipped the balance in the war aside)?

Of course, this only makes it more likely that we'll see them. One idea for the "Covid-19 Recovery Bond" is that it will offer no interest but be repayable at 1% of its capital value a year. A 100-year, 0% interest bond – guaranteed to lose you money in real terms every year (inflation is coming – see page 4)? No thanks. They are likely to be perpetual: George Soros has called for the UK and EU to issue such bonds, which come with a "light fiscal burden" for the simple reason that they need never be repaid. No refinancing. No amortising. Pay 0.5%, he says, and you can lock this in forever!

But worst of all, they may well be compulsory. Imagine a Green Equality Recovery Bond (add your own buzzwords), aimed not at repaying debt (all bonds are new debt) but at financing the stimulus the government thinks will drive future GDP (think green energy and infrastructure). Very worthy. So worthy that the state will surely insist we all own them in our pensions. My guess is you will probably be forced to buy some variety of this hideous product in the near future. You may even do so of your own free will, as a gesture of solidarity (or something). But if you do, remember that you are not investing. You're gifting a share of your long-term wealth to the state. If the terms were attractive enough for this not to be the case, there would be no need to "persuade" us to buy and no reason to think of an empathy-driven, feel-good name. We'd just call them bonds.

Merryn Somerset Webb
editor@moneyweek.com

Pension alert

Angela Jenner, a former PA from Suffolk, was getting only 86p a week as her state pension up until last year, says Harriet Meyer in The Guardian. Jenner was underpaid every week for more than 12 years, but after hearing about the possibility of underpayment on television she filed a claim to the Department for Work and Pensions and found that she was owed £42,700. Jenner is one of "thousands of women" who could be collectively owed more than £100m in state pension payments after being underpaid for years. The issue affects women who reached state-pension age before 2016 and fall under the older-style pension system that allowed women with a reduced national insurance contributions (NICs) record to claim a slice of their husband's state pension. This should have been automatically applied from 2008, but before that women had to apply to receive it, and many of those who were unaware of this missed out.

Cover illustration: **Adam Stower.** Pictures: **Getty Images; Heritage Auctions; iStockphotos.**

Good week for:

The "mass exodus to online shopping" during the pandemic buoyed sales at online grocer **Ocado** by 32% in 2020, says Liam Roche in UK Investor Magazine. Full-year losses also narrowed from £214.5m in 2019 to £44m. Chief executive Tim Steiner said the shift to online grocery shopping is likely to stick. The number of UK shoppers who do their weekly shop online has doubled since March.

A record 124 new **distilleries** were established in Britain in 2020 as demand for gin, whisky and rum continues to increase, says Will Humphries in The Times. That's a 28% increase on 2019, despite predictions that the "gin craze" of the last few years would abate. Around 86 million bottles of gin, worth £2.2bn, were sold in Britain in 2020, compared with 2017's sales of 51 million bottles, worth £1.4bn.

Bad week for:

Taylor Swift (pictured) is being sued by an Utah theme park, says David Williams on CNN. Evermore Park claims Swift's latest album, *Evermore*, infringes on its trademarks, in which it claims to have invested $37m. Swift's team dismissed the case as "baseless", noting that Evermore Park itself is being sued by several construction companies over unpaid bills.

A man was ordered to pay £25,000 in libel damages after he accused a law firm of being a "total waste of money" and a scam in an online review, says Jonathan Ames in The Times. **Philip James Waymouth** hired Summerfield Browne to dispute a £200 fixed fee, but left the bad review on the Trustpilot website, after being displeased with the service. The judge agreed that his review was "untrue and defamatory", with "a clear tendency to put people off dealing" with the firm.

A new supercycle in commodities

Alex Rankine
Markets editor

Are commodities heading back to the 1970s? For the past ten years raw materials such as oil, industrial metals and foodstuffs have languished in a bear market, says Andrew Bary in Barron's. Yet the Bloomberg Commodity index jumped by 10% during the final quarter of 2020 and analysts at Goldman Sachs think there could be much more to come. They reckon we are heading for "a much longer structural bull market" that looks poised to "rival" the commodity supercycles of the 1970s and 2000s. The previous decade of disappointment has led to "structural underinvestment" in new mines and energy capacity. That could trigger big price spikes in the decade ahead.

Vehicle electrification will be the hallmark of this raw-materials boom

More than a Reddit rally

The S&P GSCI commodity index plunged by more than 60% between early 2011 and last April, but it has since soared by 65%. Commodities are back in fashion. Anglo-Australian mining giant BHP recently surpassed Unilever to become the most valuable company on the FTSE 100, says Emily Gosden in The Times. The shares have "more than doubled" since last March, thanks to rallies in copper and iron ore, with the latter hitting its highest price in almost ten years last month due to strong Chinese demand.

First GameStop, now silver. The metal, which is used in industry as well as to store wealth, recently made headlines as the latest target of organised retail investors, says James O'Rourke of Capital Economics. Silver rallied above $29 an ounce at the start of the month before falling back. The metal was doing perfectly well without any assistance from Reddit's hordes: it was one of last year's top performers, gaining 50% thanks to strong industrial demand and its role as a (highly volatile) inflation hedge.

Keep a close eye on copper

The new bull market's standout champion, however, will be copper, says Eoin Treacy on fullertreacymoney.com. The post-millennium bull market was driven by oil and steel; the hallmark of this one will be the drive towards greener energy. Vehicle electrification will bring "massive investments" in new electricity production and charging capacity, and will require correspondingly vast amounts of the rust-coloured metal for all the wiring. Copper will also get a boost from President Biden, says Amrith Ramkumar in The Wall Street Journal. He wants to encourage a quicker shift over to electric vehicles. Yet a structural undersupply of the metal has been exacerbated by Covid-19, which has shut down mines in key producers such as Chile. The shortage will only become more prominent when economies reopen later this year. Analysts at Jefferies warn that there is a "real risk of genuine shortages" in some of the key metals markets.

From a "vaccine-led recovery" to a weakening US dollar (see page 5), everything looks set for 2021 to deliver a roaring commodities bull market, says Ole Hansen of Saxo Bank. Commodity supercycles are rare: there have been just six in the last 227 years. The evidence is mounting that we are now at "the beginning of the seventh".

Oil prices recover from Covid-19 collapse

Oil prices have returned to pre-pandemic levels. The price of the world's favourite commodity slumped last spring as major economies locked down. US oil futures briefly turned negative as traders found themselves stuck with fuel that nobody wanted. Yet Brent crude prices have rocketed by 180% since their nadir to trade above $60 a barrel this week. Before Covid-19 took hold the contract was trading around $59 a barrel.


Major producers have squeezed output significantly over the past year

Joe Biden's announcement that he will not lift sanctions on Iran (see page 10) provided the "immediate catalyst" for the latest price bump, says Julia Horowitz on CNN. But the broader rally is all about the vaccines and hopes that big economies are well on the way to returning to normal. On the supply side, oil exporters' cartel Opec and ally Russia have continued to limit output. Saudi Arabia's announcement that it will cut output by a further one million barrels per day (mbpd) from this month has provided an extra fillip. Opec and its allies have "held back a cumulative 2.1 billion barrels of oil" since last April, says Justin Harper for the BBC. They didn't have much choice: air passenger traffic is still down by 70% on last year.

US producers have done their bit too, says Joe Wallace in The Wall Street Journal. The country is "pumping 17% less crude" than it was on the eve of the pandemic as lower prices have forced the closure of less economical wells and halted new exploration.

The medium-term outlook for oil is positive, but expect setbacks along the way. This rally is "overextended", says David Sheppard in the Financial Times. Prices may be back at pre-pandemic levels, but demand, still six mbpd below 2019 levels, is not. There is "excessive… bullish exuberance" in oil markets, says Stephen Brennock of brokerage PVM. Traders are high on the promise of stimulus.

Sterling's strong start to 2021

The pound has enjoyed a strong start to the year, gaining 1.7% against the euro and 0.7% against the dollar so far. One pound currently buys €1.14. Analysts at ING think that figure could reach €1.17 later this year and €1.21 in 2022, writes Petr Krpata. "With the risk of a no-deal Brexit out of the way, the pound is now free to reap the benefits of a faster vaccination rollout". Sterling's exchange rate against the greenback – known in investing jargon as "cable" – is also tipped to rise to $1.50 this year, up from $1.38 currently.

Sterling's newfound strength isn't great news for investors. Roughly 70% of FTSE 100 earnings come from overseas, meaning they appear weaker when translated back into a rising currency. That explains why the index has continued to lag global markets, falling by about 0.7% so far this year. By contrast, the FTSE 250, which is less exposed to currency movements, has gained 3%.

If sterling's run goes too far then the Bank of England may intervene, says Eoin Treacy of fullertreacymoney.com. Its recent discussion of negative interest rates is arguably part of an effort to "retard the pace" of appreciation, which threatens to erode UK competitiveness. The Bank of England has long been more willing than virtually any other major central bank to devalue the currency in response to crisis. Since the millennium, the pound has lost 29% against the euro and 14.5% against the greenback.

Greenback's rally will ebb


©iStockphotos

The dollar index has gained 1.2% in 2021

"The King is back," writes Cormac Mullen on Bloomberg. The US dollar was widely tipped to tumble this year, but so far it has proved remarkably resilient. The US dollar index, which measures the greenback's value against a basket of six major trading partners' currencies, is up by about 1.2% so far. That wasn't supposed to happen: Federal Reserve policy is historically loose and global reflation this year should encourage investors to leave their dollar comfort zone and explore opportunities in other currencies. If this continues, then it "will upset quite a few investment strategies".

The dollar index fell by almost 7% last year, but the greenback still looks overvalued in historical terms. The index is 15% up on the start of 2010. The currency's strong start to the year is even stranger because it has accompanied robust gains on world stockmarkets. The dollar is regarded as a safe-haven currency, meaning it should underperform when stocks are feeling bullish.

A weaker euro

The dollar's unexpected pop probably has more to do with the euro, says William Watts on MarketWatch. It is by far the most important comparison currency for the greenback, making up about 58% of the dollar index basket. A slow vaccine rollout is hitting the continent's growth outlook and thus the euro, which has slipped by 0.8% against the greenback so far this year. The European Central Bank (ECB) will be quite happy about that; it has been fretting that a strong euro could trigger deflation.

Central bankers in emerging markets aren't betting on the dollar's bounce continuing, says Shilan Shah for Capital Economics. From India to Poland, they are rolling out new foreign-exchange purchase programmes designed to curb appreciations of their own currencies against the greenback. Chile will buy $12bn, equivalent to 5% of GDP, in an effort to keep its peso cheap. The "echoes" of past "currency wars" are becoming unmistakable.

Despite its strong start to 2021, most analysts think that the dollar's most likely destination is lower. More than 85% of analysts polled by Reuters expect it to "stay around current levels or decline over the next three months", reports Hari Kishan. The US Federal Reserve, which says it will keep monetary policy easy even if inflation eclipses 2%, is the key reason the currency looks set to fall. "A lot of the exceptionalism of the dollar has to do with its scarcity," says Steve Englander of Standard Chartered. There is huge demand for the world's reserve currency and traditionally limited supply.

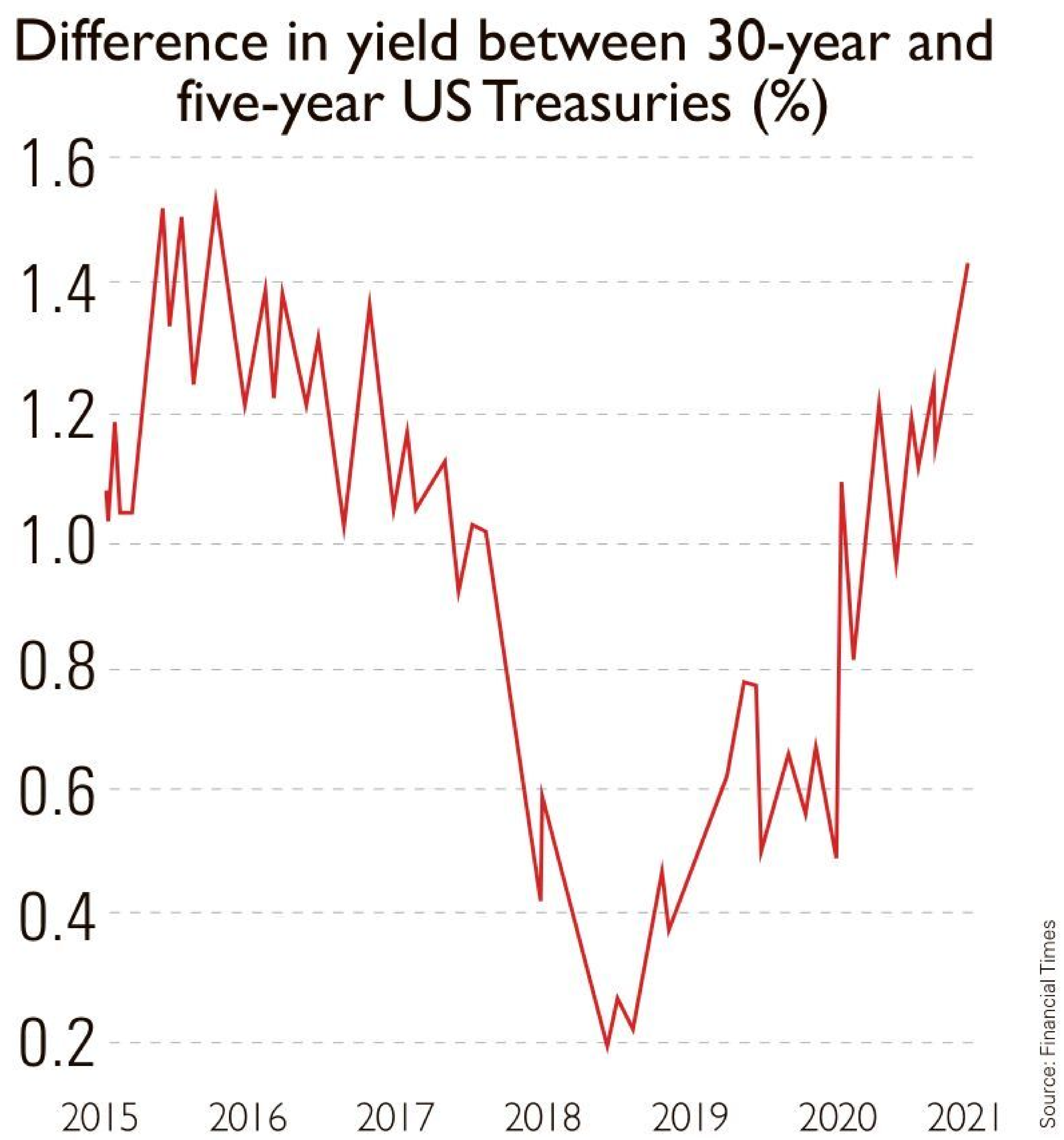
Yet with the M2 gauge of US money supply expanding by 24% over the past year, that scarcity is eroding fast; before too long "there will be an abundance". That should put a lid on the dollar's mini-rally.

Viewpoint

"The big headline 'cost of Brexit' figures (eg, "£200bn by the end of 2020") refer to... an estimate of a cumulative GDP impact versus an alternative Remain scenario... The main driver of the Brexit downside is the risk of introducing trade friction with the EU...So what would the equivalent "cost of Scexit" [Scottish Independence] figure be?... The net effect of UK-wide pooling and sharing [is] a fiscal transfer in Scotland's favour of £10.7bn a year, or roughly £2,000 for every man, woman and child in Scotland...Scexit risks introducing trade friction between Scotland and rUK – and Scotland exports three times more to rUK than we do to the EU... But Scexit introduces additional downsides: we share a currency, a welfare state and deeply integrated machinery of state within the UK. Leaving the EU will be a cake-walk by comparison – the economic cases are not... remotely comparable."

Kevin Hague, Chokka Blog

■ US yield curve presages growth and inflation



The gap between short and long-term US Treasury bonds – known as the yield curve – has hit its highest level in over five years, says Colby Smith in the Financial Times. A 30-year Treasury yields about 2%, compared with 0.47% for the five-year Treasury. That is the biggest difference in almost six years. The yield curve often makes headlines when it becomes "inverted" (ie, long-term Treasuries pay a lower yield than short-term ones), which is considered a harbinger of recession. Now the opposite is happening. Yield curve "steepening" means long-term Treasuries offer higher yields than short-term ones. With a big fiscal stimulus in the pipeline investors are anticipating strong economic growth and higher inflation ahead.

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

Five to buy

Nestlé

Shares Magazine

With 90% of its revenue depending on the in-home market, the largest food and beverage company in the world has been an "undoubted winner" from lockdowns. In-home revenues were up by 7.1% in the nine months to September 2020; sales of its Purina pet-care products jumped by 10.6%. Still, Nestlé's shares have lagged for the last six months, thanks partly to cheaper value stocks' recovery. This is an opportunity to invest in a world-class business for the long term. *99p*

Headlam

Mail on Sunday

Birmingham's Headlam, the UK's largest distributor of floor coverings, has grown steadily since its inception in the 1990s, investing in its transport network to make it as efficient as possible and building distribution centres nationwide. Figures for 2020 will "not be pretty", with sales likely to be 15% lower and profits set to halve. But a recovery is expected for 2021, with sales jumping to £685m from 2020's £609m and a dividend of around 13.9p likely; the payout is also set to increase to 18.9p for 2022. Consumers stuck at home boosted demand by 9% in the second half of last year, and further growth is expected, raising the prospect of an "attractive" dividend. *410p*

Dunelm

The Sunday Times

Despite the uncertainty of the last year, Dunelm's chief executive Nick Wilkinson has "never been more confident about the future". The home-furnishings retailer has proved popular with those opting for home improvement during the lockdowns: for the six months to 26 December 2020 sales were up by 23% year-on-year to £719.4m and pre-tax profits totalled £112m. Sales for the three months to March are expected to represent a 30% decline year-on-year, but that is "not too bad" given store closures. Shares in the company plummeted at the start of the pandemic, but have "largely revived". Dunelm has "pivoted neatly" towards online sales and kept a handful of shops open for click and collect. Wilkinson's confidence "looks nicely upholstered". *1,255p*

Greatland Gold

The Motley Fool

Greatland Gold currently has six projects in Australia, but its Havieron deposit is "the jewel in its crown". A collaboration with fellow Australian miner Newcrest, the venture has released a series of successful drilling results and demonstrates the potential for a vast mining operation. The company is still a "small, loss-making one", with the stock taking a tumble after initial drilling at another site proved less successful than Havieron. But Greatland "leans from the unsuccessful ones", and its partnership with Newcrest should make the "costly business of mining" easier. Despite the risks, Greatland has the potential to deliver. *2,475p*

Hilton Worldwide Holdings

Barron's

Hilton makes a "credible investment case". It is an asset-light group with a small number of owned hotels in its portfolio (it relies largely on franchise fees). It is also less tied to luxury brands, overseas locations and big cities than its rivals and thus "favourably positioned" to ride out the effects of the pandemic on the travel and hospitality sectors. The franchise is "extraordinarily well-managed" with "top-notch brands" set to reap the benefits of the recovery of the hotel industry. The company has taken a big hit from the pandemic and will post big losses for 2020. But as the vaccine gets rolled out and pent-up demand for travel kicks in, this "high-quality name" is worth buying and holding for the recovery. *$110*

...and the rest

The Daily Telegraph

Housebuilder **Crest Nicholson's** full-year results suggest the stock will continue to perform well. Pre-tax profits came in higher than expected and the firm plans to return to the dividend list in the summer. The housing market seems "well underpinned", too. Hold *(328p)*.

The Mail on Sunday

Electronics company **discoverIE** specialises in complex sensors that ensure products are kept very cold. Its product is used for transporting the Pfizer vaccine, which must be kept at minus 70 degrees Celsius, worldwide. Shares have seen a steady rise over the past five years and should continue to gain ground. Buy. *712p*

Investors Chronicle

Vietnam Holding is a "little known" closed-end fund that holds a concentrated portfolio of small- to mid-cap companies in Vietnam. Vietnamese equities have outperformed indices in Asia over the past decade. Vietnam was also one of a "handful" of countries that posted economic growth in 2020. Business and consumer confidence remains high, which bodes well for equities. The shares are currently trading at a 19% discount to net asset value (NAV), but this bargain won't last long. Buy *(216p)*.

Shares

Eyewear frames designer and lenses maker **Inspecs** enjoyed a 26% jump in sales to $46.2m last year While that's down from $61.2m in 2019 owing to Covid-19, the "essential status of opticians" means the eyewear industry should calmly see out the pandemic. As restrictions ease, it will keep growing. Buy *(333p)*. The acquisition of promising Arcadia brands by online retailer **ASOS** bodes well; it is expected to deliver a "double-digit return on capital" after a year. Buy *(4,856p)*.

A German view

Crises can be buying opportunities, says WirtschaftsWoche. Cresud, a Buenos Aires-based agricultural-commodities and property group, was drowning in debt in early 2020, but has since quartered its net borrowings to around $1bn with the help of asset disposals. It now looks poised for a long-term upswing. The group owns 800,000 hectares of farmland in Argentina, Bolivia, Paraguay and Brazil; through its subsidiary IRSA. It is also the country's top property group with a portfolio including shopping centres and hotels. With soft commodities and inflation expectations climbing, and both of its businesses traditional hedges against rising prices, Cresud is a buy for the brave.

IPO watch

Mobile casino-games developer Huuuge Games's initial public offering (IPO) lived up to its name late last week, says Konrad Krasuski on Bloomberg. The company became Poland's largest gaming-industry listing on record, raising 1.67bn zloty (£327m). It produces free real-time games for mobile phones where users can play with others around the world. Instead of making people buy virtual gambling chips, it gives players chips for watching video advertisements. The IPO valued Huuuge at 4.2bn zloty (£822m), making it the second-biggest game studio listed in Warsaw after CD Projekt, whose release of video-game *Cyberpunk 2077* late last year was plagued by bugs.

City talk

● US toymaker Hasbro has reported a 21% rise in fourth-quarter sales to $1.7bn as demand for toys keeps growing, says Lex in the Financial Times. Still, 2020 was "hardly a banner year" due to store closures and supply disruption cutting "the windfall from online demand". As the US toy industry "also sources more than 80% of its products from China", higher airfreight costs have cut profits. And sales "are unlikely to keep growing" once school learning in person begins again.

©Hasbro

● Good news: tech firm Samarkand, which helps Western businesses sell their brands to China online, has decided to hold its £50m flotation on London's new small-cap market Aquis, says Jim Armitage in the Evening Standard. Hopefully this will provide some competition for the other junior exchange, Aim, which has been dogged by "regular scandals" and a "lack of widespread support from investors".While Acquis is currently ignored by investment platforms such as Hargreaves Lansdown, if the Samarkand listing proves "a big hit" they may be forced to change their minds.

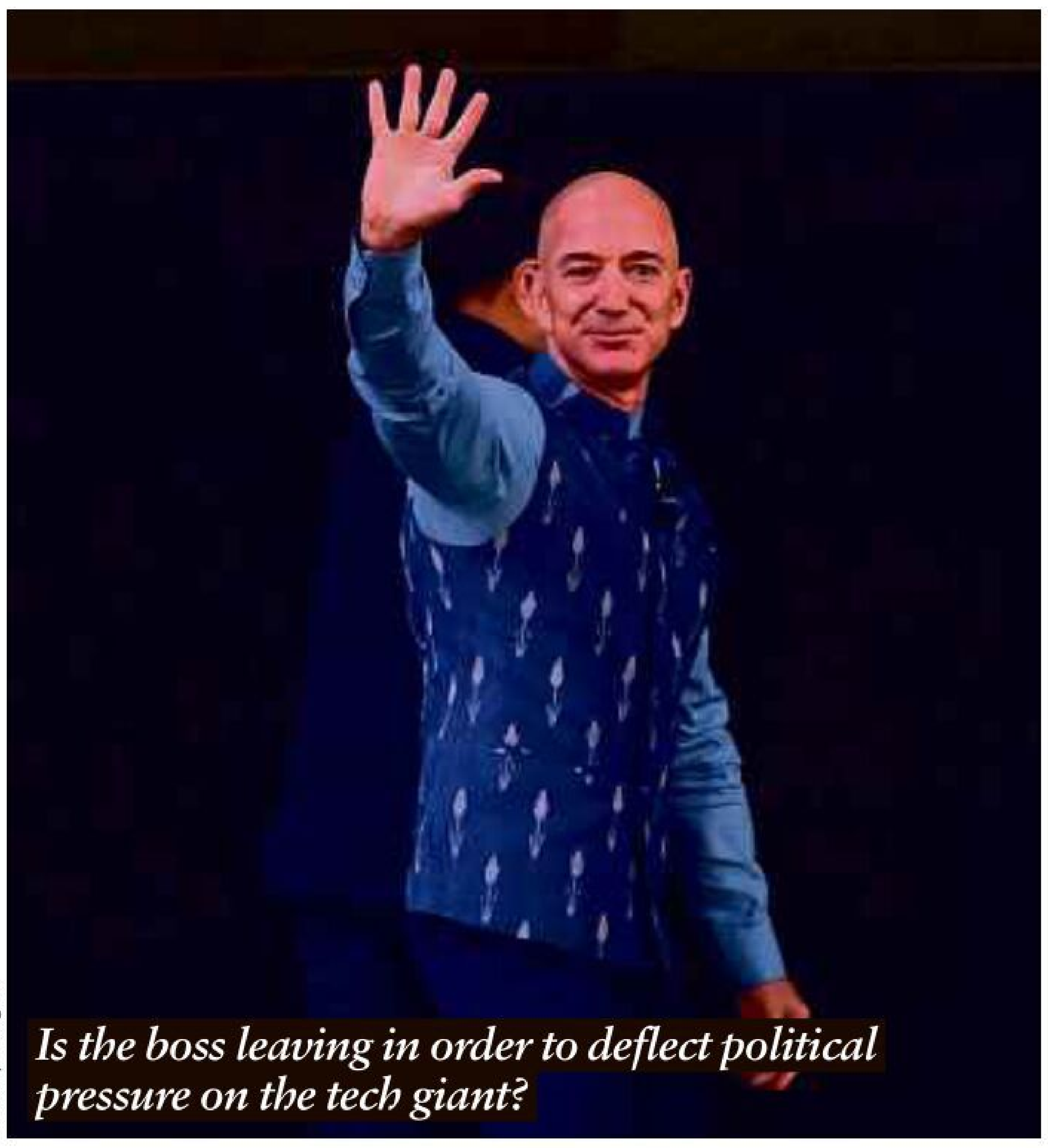
● Power company Drax is undergoing one of the "most unlikely and controversial" corporate reinventions, says Ben Marlow in The Daily Telegraph. While naysayers have "repeatedly scoffed" at the idea that "western Europe's biggest polluter", could switch to cleaner energy, Drax has said that it will turn off its two remaining coal-fired plants by March. It will now burn biomass, and to that end it is buying Pinnacle Renewable Energy, a Canadian producer of wood pellets, for £226m. Critics say the idea that it is green to "chop down forests and ship them 4,000 miles... to be burned on these shores" is "laughable". But investors seem to approve of the change: the stock is back above its pre-pandemic level.

Jeff Bezos bows out

Amazon's founder and CEO is stepping down after 27 years in charge. What will change at the e-commerce behemoth? Matthew Partridge reports

In a "surprise move", Amazon announced last week that its founder Jeff Bezos is stepping down as CEO, says James Titcomb in The Daily Telegraph. Bezos will move to the role of executive chairman in the third quarter of this year, allowing him "more time for interests in other areas". Andy Jassy (see page 35), the current head of Amazon's successful cloud-computing division, will replace Bezos as CEO. The announcement came as the company posted record sales, surpassing $100bn in a single quarter for the first time as it benefited from lockdowns that have "pummelled physical retailers".

Bezos won't disappear, say Nils Pratley in The Guardian. As chairman he "will still run the board" and have "freedom to roam wherever he wishes". If Bezos and Jassy disagree, "everybody knows who will prevail" given that Bezos "owns 10% of the shares". The move may be a largely cosmetic device to enable him to "avoid the next grilling in front of US lawmakers" over Amazon's treatment of small businesses, workers or anti-trust issues. With Bezos still making the big corporate decisions "real change at Amazon may be hard to detect".



Is the boss leaving in order to deflect political pressure on the tech giant?

©Getty Images

The "everything store"

Investors should certainly not expect the business model of the so-called "everything store" to change radically under the new management team, says Lex in the Financial Times. Not only will Bezos still "oversee the business" in his new role, even after his departure, but his replacement is also hardly someone who will look to shake things up. Jassy "has been with Amazon for 24 years, joining straight out of Harvard Business School" and is both a "loyal employee and successful business developer".

Still, things are unlikely to remain completely the same, says Jim Armitage in the Evening Standard. The move "could signal a shift in the group's focus towards more business-to-business operations". Jassy has successfully run Amazon Web Services (AWS), which now "powers around 45% of the world's cloud-hosted websites". AWS was already "the biggest profit generator at Amazon before lockdown", but with the restrictions driving businesses "to digitise their systems and power them remotely through the cloud", it has "grown massively since". There have even been rumours that AWS could be split from the company, though Jassy's elevation makes this unlikely.

AWS has been "one of Amazon's jewels", booking "more than half of its operating profit despite accounting for just 12% of total sales", says Jennifer Saba on Breakingviews. But it must keep growing fast as the rest of the business faces increased pressure. Operating costs shot up by 42% in the fourth quarter "because costs associated with worldwide shipping rose about two-thirds". It expects sales volumes to drop by 25% this quarter compared with the previous three months as vaccines and the end of lockdown create more choice about where to buy goods.

Tesla takes a bite of bitcoin

Following Elon Musk's promotion of bitcoin on Twitter, his company Tesla spent $1.5bn on it in January, say Caitlin Ostroff and Rebecca Elliott in The Wall Street Journal.

This is part of a move to invest its reserves in a wider range of assets, including gold, in order to "diversify and maximise returns" on any cash "not required to maintain adequate operating liquidity". Tesla has also said that "it expects to start accepting bitcoin as payment for its products soon".

Few companies are likely to follow Elon Musk, say Richard Waters and Eric Platt in the Financial Times. The whole point of having corporate reserves is to protect a "company's financial liquidity", so any cash on hand tends to go into "very high-quality, short-term fixed-income securities" rather than into a "risky asset such as bitcoin", which could experience "significant declines".

©Tesla

Even accepting bitcoin as a means of payment won't be easy, as the mechanics of converting bitcoin into a $58,000 Tesla Model 3 "may be far more trouble than people think", says Edward Robinson on Bloomberg.

This is because the customer and Tesla will have to agree on an exchange price "for one of the most volatile assets in the world". Indeed, with even dedicated fans finding it "too impractical to use" for everyday transactions, it is unlikely that most consumers "will truly embrace assets that can lose 10% of their value in a day". Still, at least Musk and Tesla are attracting "a lot of headlines", which may be the real reason for the bitcoin purchase.

Britain's borders slam shut

Travellers are far from the only ones who will feel the pain. Emily Hohler reports

Give this man another job

©Getty Images

As of Monday, people arriving in the UK who try and conceal the fact that they have been to one of the government's 33 "red list" countries in order to avoid a £1,750 ten-day stay in a quarantine hotel face up to ten years in jail, says the Financial Times. Travellers also need to produce a negative Covid-19 test within 72 hours of departure and take tests on the second and eighth day of arrivals. The Scottish government has gone further, says Mark Mclaughlin in The Times. All travellers flying directly to Scotland – not just those from "red list" countries – face the same quarantine and testing regime. Penalties have not yet been decided.

Side-effect of Covid-19 is a bigger state

The UK government is having to play "catch-up", says the FT. Our borders have long been our "Achilles heel" and the changes are "welcome". The government's "light-touch quarantine system" has proved "easy to undermine" and stricter systems abroad have been successful. Double-testing is "scientifically sound". However, it doesn't "bode well" that the government has struck deals with hotels to provide just 4,600 rooms, a fraction of the estimated 28,000 needed in the first month. There's also the fact that around 22,000 British residents are due to arrive from "red list" countries before Monday, along with 183,000 travellers from other countries where "worrying mutations have been seen", says Chris Smyth in The Times.

The hotel quarantine rules are "inhumane", "disproportionate" and economically destructive, says Jonathan Sumption in The Daily Telegraph. "They are also of limited value because the virus is endemic in the UK and spontaneously mutates all the time." Mutations are "just as likely" to originate in the UK; indeed, right now, we are "probably a net exporter of mutant viruses". Yet "non-disclosure of a visit to Portugal" will now be considered as serious as "threats to kill, non-fatal poisoning or indecent assault". When policy-makers impose "savage" sentences, it is usually because the rule is "not widely respected and breaches are hard to detect": the 10% who are caught receive unfairly harsh punishment to deter the other 90%. Such laws are "the work of people who think there is no limit" to the misery that we must endure to reduce infections. Matt Hancock has said he will "stop at nothing" to suppress Covid-19. He has the "tunnel vision" of someone who has spent "too long in the same job". A "spell in another department, which has to cope with the collateral damage, would do him, and us, a power of good".

The clampdown on travellers comes amid news that the Oxford/AstraZeneca vaccine is less protective against the South African variant, but the vaccine is still likely to protect against serious disease, says Peter English in The Guardian. This detail is "important". The top priority is to "ease" the death toll and hospital admissions. A vaccine that "prevents serious illness is more than adequate for the time being". The government don't seem to think so, says Jeremy Warner in The Daily Telegraph. We'd assumed that once everyone over 50 had been vaccinated – on track for early April – we'd be "home free" as Covid-19 poses such low risk to younger people. The scientific modellers have now said 70% of the population need the jab. This misery will end, but life will be not the same, and one of the most worrying changes will be a bigger, more intrusive state. Covid-19 has allowed government to "massively expand its reach", sanctioned a "great leap forward in the surveillance society" and the huge sums spent will exact a price in more state control and higher taxes. The pandemic may lead to "positive change", but the "negative variety is all too likely too".


A land-grab will be little help on the ground

©Getty Images

Plot to take back control of the NHS

The government is planning an NHS "shake-up" in England, says Andrew Gregory in The Times. Ministers have been trying for years to "water down" some of the changes introduced by Andrew Lansley when he was health secretary in 2012, which "handed clinicians more control over budgets and increased the role of private companies". Andy Cowper, editor of Health Policy Insight, described the draft white paper as a "massive political land-grab" that puts the health secretary "unambiguously" back in charge. If the reforms are enacted, as expected, in 2022, Matt Hancock, if still in office, will effectively be able to "overrule NHS executives" and "run policy inside NHS clinics".

Hancock hopes to rally support with a populist pledge to "roll back privatisation", says Ian Birrell on inews, but the problem isn't the "profit motive" (witness the better health outcomes in European systems). "It lies in bad commissioning, poor operators, disempowered patients and inadequate politicians." Take the contracts handed to cronies in the pandemic, with "scandalous lack of accountability". Hancock is right to want "greater cohesion among local care and health services", but social care needs to stay localised, "not simply be subsumed by the NHS".

It's notable that no other Western health service has "seen fit" to copy the highly centralised NHS, says Paul Ormerod in City AM. Indeed, "one of the key lessons" from the pandemic is the "need to devolve powers". Local authorities would have been much nimbler in dealing with local Covid-19 outbreaks and "successful tactics could then have been copied". If Hancock really wants to take control, says Birrell, he should stop using Covid-19 as an excuse for "drastic reform" and start "offering solutions to the damaging failures" of social care, staff shortages, patient safety and psychiatric services.

Trump goes on trial again

But will Republican senators turn on the ex-president? Matthew Partridge reports

Castor: a non-linear journey through non-sequiturs

©PA Images

Senators in the US have voted by 56 to 44 to reject an argument that the impeachment trial of Donald Trump was unconstitutional as he had already left office, says David Charter in The Times. Democrats argued that not prosecuting Trump for inciting insurrection would be "dangerous" for America and a block on "accountability and unity" as it would in effective signal that departing presidents can get away with anything in their final weeks in office. The majority reached is similar to that of a vote last week, with one additional Republican Senator, Bill Cassidy of Louisiana, voting to proceed with the trial.

A rambling opening

Donald Trump's case wasn't helped by the presentation from his legal team, says Nick Allen in The Daily Telegraph. In contrast to the Democrats' opening arguments, which included an "emotionally charged" compilation of incendiary statements made by Trump on the day of the riot, Trump's "folksy" lawyer Bruce Castor made a presentation that has been described, even by senators sympathetic to Trump, as "non-linear" and "rambling". Castor took senators on a journey "filled with non-sequiturs" and even at one point suggested that senators should have Trump arrested if they really thought he had committed any crime.

The Democrats, then, won the opening skirmish, but they are unlikely to succeed in their wider quest to get Trump impeached, says Lauren Fedor in the Financial Times. The relative closeness of the vote suggests that the "overwhelming majority" of Republicans still back the former president, or are at least unwilling publicly to break with him. Since conviction "requires the support of two-thirds of the 100-member chamber" they are almost certain to fall short, unless a large number of Republican senators have a sudden change of mind, or some new evidence is uncovered.

A foregone conclusion

Don't expect the Republicans to turn on Trump, says Michael Goodwin in the New York Post. As much as Democrats and some Washington Republicans "despise him", Trump remains "extraordinarily popular" with GOP voters. Polls show that a "big majority" of the 74.2 million voters who backed him last year "would do so again" were he to run in 2024. Senate minority leader Mitch McConnell and others may be "furious" with Trump, but the last thing they want is to have the former president "turn that firepower against the GOP for the 2022 midterms" or "possibly even start a third party".

True, the trial "will almost certainly not bring justice", but it is still worth pursuing anyway, says Michelle Goldberg in The New York Times. It is important to "cement Trump's disgrace" by telling the "comprehensive story" of how he tried to steal the election, and how that attempt ended in "death and desecration". Republican Senators may be unwilling to break with the former president in large enough numbers, but the real jury for this trial "is not the Senate but the public", and the polls suggest that a strong majority of Americans think that Trump "should be convicted".

Biden moves to patch things up with Iran

Biden: seeking to avert a crisis

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US president Joe Biden is seeking to avert a crisis after the Iranian regime threatened it would be forced to seek nuclear arms if American sanctions are not lifted, says The New York Times. The standoff takes place in the context of a possible return to the 2015 nuclear deal between Iran and a group of world powers including the US, which was torn up by Donald Trump in 2018. Biden has promised to rescind Trump's sanctions, but only if Iran first returns to commitments it made under the 2015 agreement. Iran says it will honour the deal only once the sanctions are lifted.

Getting an agreement is going to be "very difficult", says Robert Gardner in the Financial Times, but Biden's commitment to the 2015 deal is real. He has appointed Robert Malley, a strong supporter of a more conciliatory approach, as special envoy to Iran, and several "seasoned diplomats" involved in the 2015 nuclear deal to key foreign-policy roles, including Antony Blinken as secretary of state and William Burns as CIA director. Despite the harsh words, there are signs that "discreet contacts" have already been made with Iran.

Biden campaigned on a promise to re-establish the deal so his moves are not surprising, says The Times. Still, just as Trump was "too hasty" to rip up the agreement, Biden should "not try to piece it back together too swiftly". After all, "much has changed" in the six years since it was signed. Iran has breached the agreement's rules that forbid moves towards a bomb and its missile programme "has continued apace, often under the cover of space research". Tehran's influence has also continued to "cause turmoil" in the wider region.

Betting on politics

As Joe Biden has been US president for only a few weeks, it may be a little premature to start talking about the outcome of the next election. Indeed, Betfair punters have matched only £61,140 so far on the identity of the winner in 2024. Still, a striking fact is that the betting markets are assuming that Biden will be a one-term president, with odds as long as 5.8 (17.2%) on him being re-elected; bookmaker Paddy Power put his odds even longer at 5/1 (16.7%).

Indeed, if you look at the odds closely, Biden isn't even the favourite to win the Democrat nomination in 2024, with Betfair putting him at 3.45 (28.9%). Betfair punters have vice-president Kamala Harris (pictured) as favourite to be the Democrat's choice, but they aren't that enthusiastic about her either, putting her odds at 3.05 (32.7%). After those two candidates, there is a long tail, with transport secretary Pete Buttigieg at 18.5 (5.4%) and senator Elizabeth Warren at 21 (4.8%).

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I think either Biden or Harris are almost certain to win the nomination. Biden is immensely popular at the moment and Harris is ambitious enough to run in 2024 if he decides to retire. The next Democrat convention may be more than three years away, but I'd still suggest you bet on both Harris and Biden to be the next Democrat nominee, for combined odds of 61.8%. In that case, you should split a hypothetical £10 unit by putting £5.31 on Harris and £4.69 on Biden.

Washington DC

America spends, spends, spends: The US federal budget deficit widened to an estimated $165bn last month, compared with $33bn in January 2020, as the latest $900bn coronavirus-relief package sent direct payments to millions of people, says Paul Kiernan in The Wall Street Journal. They were the costliest provision at $142bn, while spending on unemployment benefits rose to $34bn last month, from $3bn in January 2020, according to the Congressional Budget Office. The budget deficit rose by 90% year-on-year to $738bn for the first four months of the 2021 fiscal year, which began on 1 October. Still to come is President Joe Biden's $1.9trn stimulus plan. His approach to fiscal policy is "go big or go home", says Swaha Pattanaik on Breakingviews. But former Treasury secretary Larry Summers thinks it may be "a bit too much of a good thing". He says "there's a case for better targeting spending now and going all out on infrastructure investment next". If the Biden administration doesn't end up stoking inflation, then "no one can".

London

Tough penalties for travellers: The government has introduced "stringent" new border controls to prevent the spread of mutated forms of Covid-19 from abroad, says The Times. Those who conceal at the border that they have travelled from any of 33 "red list" countries can be jailed for up to ten years, while those who try to avoid quarantine can be fined £10,000. A new hotel quarantine scheme will cost individuals £1,750 for ten days. The seven-day average of new cases of the virus, meanwhile, was 27% lower from the previous week on Tuesday. Household spending fell by 16.3% year-on-year in January, the biggest fall since May, according to Barclaycard. However, spending in supermarkets, which have remained open during lockdown, rose at an annual rate of 17%, and spending on digital TV subscriptions and takeaways rose by around a third. "We expect the [official statistics] to confirm that 2020 GDP dropped by just under 10% – the worst annual GDP print in three centuries," says Sanjay Raja of Deutsche Bank. But this year it should grow by 4.5%.

Tegucigalpa

President in bribery probe: Honduran president Juan Orlando Hernández is being investigated by US prosecutors for accepting bribes from drug traffickers to fund his 2013 presidential campaign in exchange for protection of their business, says José de Córdoba in The Wall Street Journal. Honduras is "one of the poorest countries in the hemisphere" and "poses a difficult challenge for the Biden administration". President Joe Biden's administration wants to focus on "lowering corruption and improving the rule of law" to decrease illegal migration from the Central American Northern Triangle region comprising Honduras, Guatemala and El Salvador. The Biden administration has promised to spend around $4bn to breathe life into their economies and "fight the root causes of migration". Honduras was "already beset by crime, corruption and extreme poverty when Covid-19 struck", says Greg Ip in the same paper. In November it was battered by two tropical cyclones in a fortnight, which left 100,000 homeless. Around 10% of the population are now jobless.

Rome

Draghi's great responsibility: Italy is turning to Mario Draghi (pictured), the former European Central Bank president, to form a new government "from the rubble of its latest political crisis", says the Financial Times. His job will be to harness a "once-in-a-generation" package of grants and loans underwritten by all 27 EU member states while pushing through "often unpalatable reforms". Draghi's success or failure in deploying Italy's €209bn share of the recovery fund "will be critical not only for Italy's future, but also for the credibility of the EU's most ambitious joint undertaking since the birth of the euro". Italy's GDP shrank by 9% last year, while government debt is heading toward 160% of GDP. In France, economic activity is running at 5% below pre-crisis levels, the Bank of France said on Tuesday. And in the eurozone's biggest economy, Germany, industrial production was flat in December after November's 1.5% month-on-month rise. It probably declined in January, says Andrew Kenningham of Capital Economics.

The way we live now: yogis harmonise chakras by forming a trade union

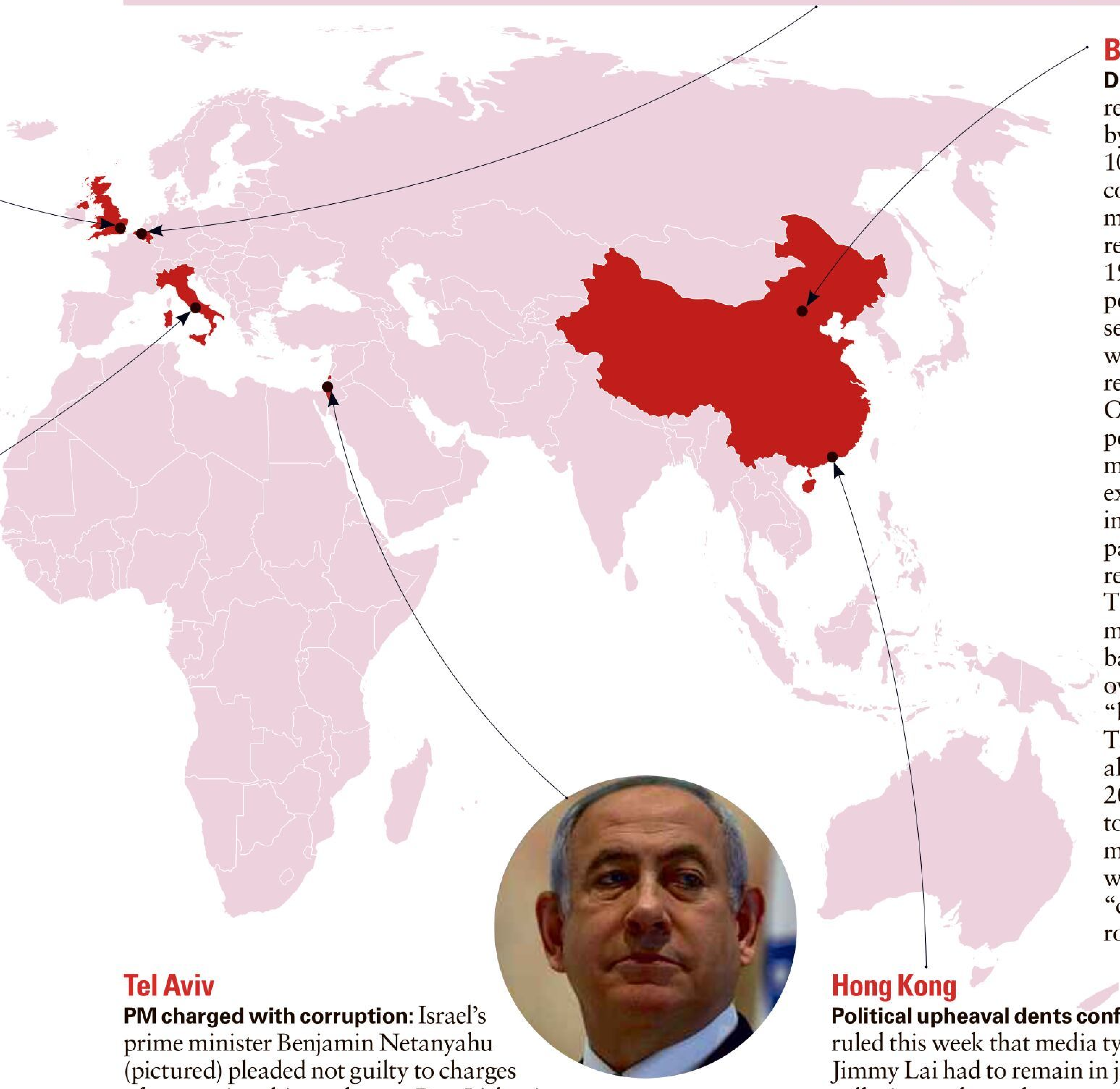
"Tired of bending over backwards for employers," yoga teachers have formed their first UK trade union, says Charlie Parker in The Times. "Despite the serene reputation of their discipline, many have told of sexual harassment, exploitation and poverty wages." An estimated 10,000 yogis around the country are being encouraged to sign up to a new branch of the Independent Workers' Union of Great Britain, modelled on groups formed by other gig workers such as Uber drivers. Lesson preparation, travel and physical fatigue hamper yoga teachers' earnings in studios and gyms. They can only teach around up to four lessons a day, at a rate of £10 to £20 an hour, which means they earn less than the living wage of £9.50 an hour, or £10.85 in London. The union will campaign for paid holiday, living wage, and fight against bullying and sexual harassment.

Why not unionise? asks The Times. "Yoga" translates into English from Sanskrit as "attach, harness or yoke. The word union is but a short (and yet possibly painful, if you haven't warmed up properly) hamstring extension from there". Nonetheless, yogis should "fully realise what their new responsibilities entail… excess stress can play absolute havoc with your chakras".

Brussels

EU takes on Big Tech: "EU lawmakers overseeing new digital regulation in Europe want to force Big Tech companies to pay for news, echoing a similar move in Australia," says the Financial Times. MEPs working on the Digital Services Act (DSA) and the Digital Markets Act said the laws could be amended to include aspects of the Australian reforms. The initiative would be a "serious blow" to Google and Facebook, which are currently fighting Australian legislation that would force them to negotiate payment for content with news media firms, says Paul Karp in The Guardian. Google has now threatened to remove its search engine from the country while Facebook said it would delete the news from the feeds of its 17 million users. Australian prime minister Scott Morrison said, "Australians don't respond to threats". The battle is being "watched keenly" across the world, says the Daily Mail. Google turns over \$4.9bn in Australia, with \$4.3bn of that from advertising, while many Australian publishers are "struggling to make money". Google paid \$59m in corporation tax in Australia last year.

Australian prime minister Scott Morrison: fighting back against Facebook



Beijing

Demographic crisis: The number of registered newborns in China plunged by almost 15% in 2020. There were 10.04 million registered births in the country last year, down from 11.79 million in 2019. Last year the country recorded its lowest birthrate since 1949. The decline in newborns "could pose serious issues" for the world's second-largest economy as its current working-age population inches towards retirement, says James Griffiths on CNN. If the trend continues "or the population begins shrinking, China may get old before it gets rich". Though experts say there is likely to be a drop in births worldwide for 2020 due to the pandemic, the numbers from China represent a "general downward trend". The "one-child policy", which limited most couples in the country to a single baby as part of an attempt to curb overpopulation, was rescinded in 2016 "but it appears to have been too late". The number of people getting married also dropped sharply between 2013 and 2019, falling by 41% from 23.8 million to 13.9 million as attitudes towards marriage, especially among young women, shifted. They have grown "disillusioned with the institution for its role in entrenching gender inequality".

Tel Aviv

PM charged with corruption: Israel's prime minister Benjamin Netanyahu (pictured) pleaded not guilty to charges of corruption this week, says Dov Lieber in The Wall Street Journal. It was Netanyahu's second appearance in court after charges alleging that he had traded "expensive gifts from wealthy businessmen" for official favours and offered two "media moguls" regulatory and financial "benefits" in exchange for positive press coverage. If convicted of bribery, he could face up to a decade in prison. Prosecutors have over 300 witnesses, and the court will soon decide when witness testimony will begin. An early date could clash with Netanyahu's bid for re-election in late March. Israel has been praised for its fast rollout of the Covid-19 vaccine: around 38% of its nine million inhabitants have received at least one dose. This has helped make its stockmarket one of the top performers so far this year, says Caitlin Ostroff in the same paper. It has gained nearly 6% in dollar terms, outperforming the S&P 500 and the Euro Stoxx index, as investors bet the widespread vaccine rollout will place the country "among the forerunners" for a post-pandemic recovery. GDP is likely to rise by 6.3% this year, estimates the central bank, after a contraction of 3.7% in 2020.

Hong Kong

Political upheaval dents confidence: Hong Kong's highest court ruled this week that media tycoon and pro-democracy activist Jimmy Lai had to remain in jail as he awaits trial for alleged foreign collusion and pro-democracy related activity, says Helen Davidson in The Guardian. The 73-year-old, first jailed in December, had his bail rescinded under the new national-security law imposed "essentially by decree from Beijing" in June 2020. It removes the presumption of bail for defendants, among other draconian measures. Lai is the "highest-profile figure" among over 100 people to have been arrested on suspicion of breaching the law, which criminalises sedition, secession, foreign collusion and terrorism. HSBC came under fire for its support of the law this week after freezing the bank accounts of pro-democracy activist Ted Hui. Hui, formerly a legislative councillor, fled to Britain after he was charged with offences relating to his crowdfunding campaign for lawsuits against police brutality. The "massive political upheaval", coupled with the pandemic, saw Hong Kong's economy shrink by a record 6.1% in 2020, says Eric Lam on Bloomberg. Financial-market activity remained "robust", but consumption and tourism were battered by Covid-19. While some growth is expected for 2021, the first half will be "challenging" until the virus can be controlled.

The cladding crisis

In the wake of the Grenfell fire disaster, many homeowners have been left stuck with huge bills to make their properties safe. The government is stepping in with a helping hand. Simon Wilson reports

What's the problem?

The issue is who should pay to remove dangerous cladding from residential buildings – and what should be done to help the hundreds of thousands of people stuck in leasehold flats they now can't mortgage or sell due to fire-safety concerns. Following the catastrophic fire at the 24-storey Grenfell Tower block in west London in June 2017, in which 72 people died, an official inquiry found that aluminium composite material (ACM) cladding panels caused the fire's spread. That material has now been banned on buildings over 18 metres high (about six storeys), and the government is spending £600m on stripping ACM cladding from unsafe buildings. In addition, it has ordered the removal of other cladding that, while not ACM, is now deemed potentially dangerous.

Jenrick has introduced welcome reforms, but more needs to be done

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Who's paying?

In the case of council flats, the bill is ultimately paid by central government, and leaseholders or tenants don't contribute. The difficulty arises when it comes to removing and replacing non-ACM cladding from blocks of flats owned privately, or by housing associations. People who bought their homes in good faith, with no warning from solicitors or surveyors about potential safety issues over external cladding, are being faced with average bills of £40,000, and in some cases more than £100,000. That liability has led to millions of flats becoming unsellable, with surveyors unwilling to sign off safety certificates and banks unwilling to lend. Meanwhile, some homeowners are also footing the bill for rocketing insurance premiums and service charges, such as around-the-clock "waking watch" fire patrols at buildings that still have dangerous cladding fitted, at a typical cost of around £500 per flat per month.

How many people are affected?

An estimated 700,000 people are stuck in homes deemed to be at risk of fire, and up to three million own flats that are unsellable due to fire-safety-related construction faults discovered following the Grenfell Tower fire. According to analysis by New Build Database for The Daily Telegraph, as many as 4.6 million individual flats are affected overall (16% of the overall 29.2 million dwellings in the UK). There are about 870,000 homes in cladding-hit buildings above 18 metres – the highest risk – and a further 3.7 million in blocks between 11 metres and 18 metres. Many of these don't have visible external cladding, but require further assessment due to concerns over construction materials, insulation or fire breaks.

Doesn't ownership come with risks?

Most homeowners soon learn that property ownership can involve unforeseen costs. But most observers – including a highly vocal group of campaigning Conservative MPs – find it fundamentally unjust that today's generation of homeowners should be financially on the hook for a crisis that has its roots in decades of inadequate state regulation and shoddy construction. Many of those worst affected are younger adults who have saved hard to buy a home but now face financial ruin. And in some particularly egregious cases, people who were encouraged to buy by government-backed shared-ownership schemes have found themselves liable for 100% of the remedial costs even if they only "own" a small chunk of the property. If the government wants to protect the integrity of the housing market, it needs to solve these issues.

"Homeowners are facing bills of £40,000 – in some cases more than £100,000"

What is it doing?

It's slowly facing up to the scale of the problem. A year ago the government announced a Building Safety Fund to help replace flammable non-ACM cladding on buildings over 18 metres, in addition to the £600m allocated to remedy the highest risk ACM cladding. But this was widely seen as inadequate, given industry estimates of £15bn as the overall cost of cladding remediation. This week Robert Jenrick tried to see off a rumbling Tory rebellion with what he called a further "unprecedented intervention" to "protect homeowners" and "make developers pay" for past negligence. For high-rise buildings (above 18 metres or at least six storeys), all cladding-remediation costs will met by the state. In lower-rise buildings (11 to 18 metres, or four to six storeys), where cladding costs are incurred, he announced a "long-term low-interest" loan scheme, limiting repayments to £50 a month per flat. That debt will remain with the property (depressing its value and raising the risk of negative equity) rather than the current leasehold owner.

How big is the package?

The new funding amounts to £3.5bn, in addition to the existing £1.6bn, says Jenrick. Details of the loan scheme are yet to be published, so its additional costs are not clear. To pay for some of this, Jenrick announced a new levy to be finalised in coming weeks and introduced in a forthcoming Building Safety bill, which will apply to high-rise developments only. A second, broader tax, on UK residential property developers, is projected to raise £2bn over a decade from 2022 to help pay for cladding remediation. Jenrick also acknowledged the risk fire-safety issues pose to the whole housing market, and urged lenders to back an initiative to cut the red tape holding back mortgages.

Will all this put an end to the issue?

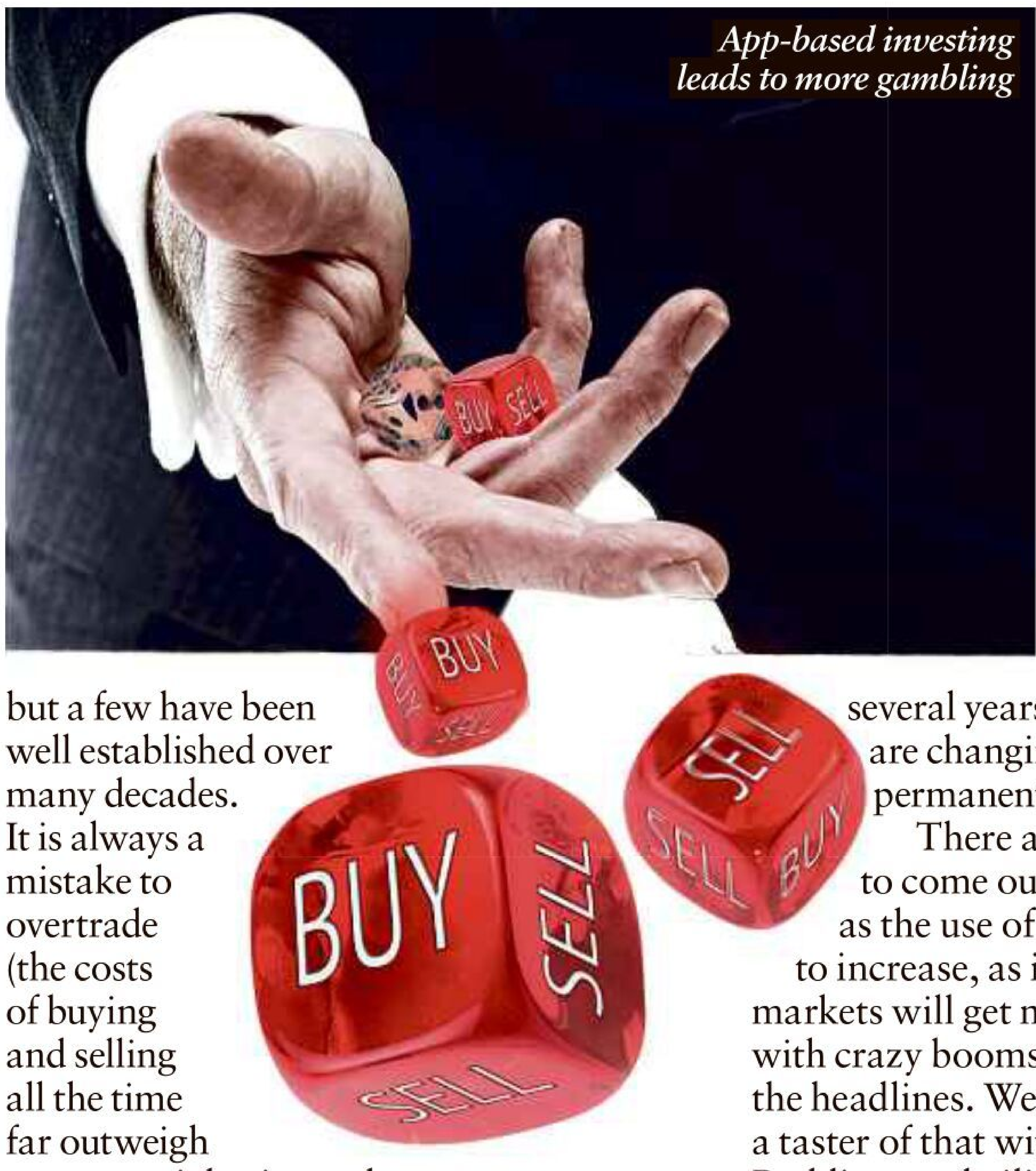
Highly unlikely. One of the main Tory campaigners on the issue, Peter Bottomley, welcomed Jenrick's announcement as a necessary but not sufficient step forward. But another, Stevenage MP Stephen McPartland, echoed the widespread reaction from leaseholder campaign groups: he condemned Jenrick's statement as "all smoke and mirrors" and "a betrayal of millions of leaseholders". Jenrick is "very careful" to refer solely to cladding, tweeted the MP. "No mention of fire safety defects, waking watches or excessive insurance premiums, which are often the main costs for millions of leaseholders". The government's intervention is substantial, but this issue has a long way to run.

A simple way to better returns

Just put your smartphone away and deal with your broker the old-fashioned way. You'll end up richer

Matthew Lynn
City columnist

Access to far more information, the ability to make quicker decisions, lower costs – there are lots of reasons for thinking that smartphones will make us better investors. As we tap away on the screen in our pocket, tracking news and prices in real time, anyone should be able to match the resources and knowledge base of the biggest institutions in the world, and their returns as well. That might sound plausible in theory. It turns out to be completely wrong.



App-based investing leads to more gambling

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Debasing the golden rules

The US National Bureau of Economic Research has just published a fascinating study from the Kelley School of Business. It took 15,000 retail trading accounts from a couple of the major German banks and then looked at how customers changed their behaviour once they switched to app-based trading. They were all existing customers, mostly in their 40s. The study found three things. First, investors stopped bothering with in-depth research, charts and trends, and just went with their gut a lot more. Second, they gambled a lot more. Measured by the volatility of the assets purchased, the share of trades committed to chancy bets rose by almost ten percentage points. Finally, they jumped on bandwagons, investing in assets that had just soared in price. Overall, app investors were 12 percentage points more likely to buy assets in the top 10% of past performance than they had been before. Whatever the hot fad was in that year, they piled right in.

In other words, once they start trading on an app, investors start doing all the things we know they shouldn't. There are not many golden rules in investment, but a few have been well established over many decades. It is always a mistake to overtrade (the costs of buying and selling all the time far outweigh any potential gains and no one can ever time the market perfectly). It pays to do your homework (the few really exceptional investors who beat the market over many years always have a system, and a way of researching themes and companies to work out which ones will do best). Without rules such as these, you are just gambling – and if you want to do that you might as well go to a casino or a racetrack. The charges are lower, you pay less tax,and you have just as much chance of coming out ahead.

Another rule is that it is always a mistake simply to jump on bandwagons and app-based investors are more prone to doing just that. Sure, momentum can carry you on for a while, but if you are always buying the most expensive assets in the world you will usually end up making big losses.

The trend is not your friend

The way that app-based investors trade is not likely to change anytime soon. The study looked at whether the changes were simply short-term, as people played around with a new toy. In fact, they persisted over several years. In truth, smartphones are changing the way people invest permanently and for the worse.

There are two important points to come out of that. The first is that, as the use of smartphones continues to increase, as it inevitably will, the markets will get more and more volatile, with crazy booms and busts dominating the headlines. We may already have seen a taster of that with the WallStreetBets/Reddit crowd piling into stocks. But we will see it far more as, without any form of conscious organisation, investors will simply crowd into whatever is the hot trend of the moment.

Second, anyone who wants to beat the market over the next decade just has to follow one simple rule. Put away your smartphone and set up a brokerage account where you have to phone in deals, preferably over a landline, and make sure you speak to an actual broker and follow up those instructions with a written form. While everyone else is tapping away furiously on their phone and hopping onto the bandwagon of the day, you will do brilliantly – and end up far richer.

Who's getting what

● TSB Bank's boss **Debbie Crosbie** (pictured) has had her pay cut by 19% for 2020, says the Evening Standard. Her pay fell to £1.17m from £1.44m in 2019 due to bonuses being waived in the pandemic. She was last year awarded £480,000 in shares as a "golden hello" plus a £184,925 bonus. TSB had a £204m loss in 2020.

● Future, the magazine publisher behind Country Life and Horse & Hound, has come under fire from shareholders over a proposed bonus scheme that could award its chief executive, **Zillah Byng-Thorne**, just over £40m, says the Financial Times. Under the terms of the "value creation plan", employees will be granted shares in three annual tranches, each capped at £95m, so long as the share price rises by at least 10% a year from September 2020 to September 2025. Byng-Thorne will be entitled to 14.3% of the pot, up to an annual £13.6m. She was paid £3.7m in total last year and will see her basic pay rise by 21% to £575,000.

● Imperial Brands, formerly known as Imperial Tobacco Group, saw a shareholder revolt last week over the pay of its new CEO **Stefan Bomhard**, says The Times. Just over 40% of shareholders voted against his £1.27m salary, which is 12.7% bigger than that of Alison Cooper, his predecessor of nine years, who had been at the firm for two decades. Bomhard, who joined last July, was also awarded £483,015 for forfeiting bonus awards when he left FTSE 250 car dealer Inchcape for the firm.

©TSB Bank

Nice work if you can get it

UBS is planning "to increase the bonus pool for its investment bankers by as much as 20% after a surge in trading revenue helped Switzerland's largest bank post the highest profit in five years", say Marion Halftermeyer and Patrick Winters on Bloomberg. Asset managers in the Asia-Pacific region, for example, could see their bonuses increase by 10% in the compensation report, due to be published on 5 March. For 2019, the bank paid out around $2.7bn overall in variable compensation. "UBS has navigated the pandemic better than many of its peers as its loan book proved resilient and the investment bank benefited from a surge in trading, with pre-tax profit at the unit more than tripling from a year earlier." Swiss rival Credit Suisse Group, by contrast, is considering cutting its overall bonus pool by at least 10% after a series of charges hit profits last year.

Expect a rapid bounce back

Covid-19 has had a brutal impact on the economy, but history suggests we'll recover quickly once it's gone

John Stepek
Executive editor

The good news on vaccines appears to be flowing fast (see page 24). But what does it mean for the global economy? The last big recession most of us will remember was the 2008 financial crisis. In many ways, we had barely recovered from that one (and some would argue that we hadn't) when Covid-19 struck. And in terms of sheer scale and speed of collapse, this one was worse. Yet history gives grounds for optimism, claims a new study.

Vaccines should help the recovery

©Getty Images

The two types of economic crisis

In his Klement on Investing newsletter, Joachim Klement highlights a paper by two European Central Bank researchers, Natalia Martin Fuentes and Isabella Moder, called "The scarring effects of past crises on the global economy". The pair looked at previous economic crisis, splitting them into two categories. There are "exogenous" crises, caused by outside events, such as epidemics, wars, and the 1973-1974 oil embargo of Western countries by oil cartel Opec. Then there are "endogenous" crises – financial crises such as the 2008 crash, which are caused by a build-up of economic imbalances within an economy over time.

There's a lot of variation within these categories. Some exogenous shocks are far worse than others, and financial crises vary in scale too. But to cut a long story short, in the wake of an external disaster the economy takes a painful hit, but then rebounds fast, with "no longer-lasting scarring effects". A financial crisis is far more debilitating, "with a very persistent downward shift in potential output. The results for past financial crises... suggest a loss of around 5% even after eight years". So the economy doesn't rebound at all. Instead, it is permanently weakened (there are "long-lasting scarring effects on the level of potential output").

This isn't new. We've known for a long time that financial crises are almost uniquely damaging, because the collapse of the imbalances that create the conditions for them damages the banking system, which in turn makes it far harder for the wider economy to reset and recover. Recessions created by an external event are very painful when they happen. But once they are over, the economy bounces back because there was nothing intrinsically wrong with it in the first place.

"Financial crises are almost uniquely damaging events"

This is why we should expect a rapid rebound following the coronavirus pandemic, particularly when you consider that governments have gone further than ever before to cushion the impact of this particular exogenous shock. Indeed, global markets are already starting to price in the return of inflation, with the 30-year US Treasury bond yield rising above 2% this week for the first time in a year. The "reflation trade" will have its ups and downs – but don't bet against it.

I wish I knew what a Kondratieff wave was, but I'm too embarrassed to ask

Nikolai Kondratieff (also spelled "Kondratiev") was a Russian economist who was born in 1892 and was executed in a gulag in Siberia in 1938, having been purged by Stalin. He claimed that capitalist economies rise, fall and rise again (this last point is the bit of his theory that got him purged) in long-term boom-and-bust cycles, or "long waves", lasting around 40 to 60 years. His ideas were championed by Austrian-born economist Joseph Schumpeter (of "creative destruction" fame), who in 1939 coined the term "Kondratieff wave" in his honour.

In the theory, the waves are driven by technological innovation and come in four cycles, named for the seasons. In spring, there is a productivity boom along with beneficial inflation, boosting growth and general prosperity. Summer – which tends to be much shorter than spring – sees the economy overheat, resulting in a deceleration of growth. In autumn, the economy broadly stagnates with intermittent growth against a deflationary backdrop. Finally, winter brings a collapse into depression, widening wealth inequality, and a long period of stagnation before the cycle begins again.

If reading that description strikes a chord of recognition, then you've already spotted the appeal of wave theories. Economies undoubtedly have a strong cyclical component (despite the denial of some theorists) and it's easy to look back over history and spot patterns – previous cycles include those driven by the steam engine and the industrial revolution, the railway boom, electrification and cars.

This is all an interesting intellectual exercise, and it can provide useful pointers as to how assets have performed under different economic conditions. Yet in terms of their predictive value, cycle theories are too vague to be of much use to investors. Indeed, this very vagueness can make them a potent and dangerous source of confirmation bias.

Guru watch

Nick Train, fund manager, Finsbury Growth & Income Trust

Nick Train is one of the UK's most successful and best-known fund managers. Last year, his Finsbury Growth & Income Trust, which is 75% invested in UK stocks, fell by 1.7%. However, that was a decent result compared with the average 7.7% drop for the UK equity income sector. Over ten years, the fund has returned more than 230%, making it the top performer in the sector over that period by a considerable margin. So what does 2021 hold?

"There's plenty to be optimistic about," Train tells Simon Lambert of thisismoney.co.uk. The economy is likely to bounce back as lockdowns end and pent-up demand from consumers is unleashed. "There are fundamental aspects to human behaviour that have not been abolished... socialisation, being part of a crowd, being part of an audience, I'm sure that won't go away."

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More importantly, adds Train, lockdowns have accelerated the mass adoption of new technology, which will "unleash huge productivity gains across the global economy over the next five years". This is already inspiring new business creation and increased efficiency from existing firms. That could be good news for companies with strong brands – the type that Train favours for his highly concentrated portfolio of around 25 stocks – which can exploit these changes. For example, luxury goods brand Burberry has seen a 50% rise in its online sales during the year, and believes that post-pandemic, online sales will continue to account for 25% of sales, up from 10% before.

There's more to diversity than colour

Oliver Shah
The Sunday Times

Last week, the recruitment firm Green Park revealed that, "for the first time in six years, there were no black executives in any of the top three roles across the FTSE 100", says Oliver Shah. And although the number of female and non-white directors is climbing, it's important to recognise that the "roots of the problem" relate not just to ethnicity or gender, but also to class and social mobility, which are "harder to define". The "core of non-diverse groups is homogeneity of thought, not appearance". Big company boards are still "fairly old-fashioned" and the "rarefied air of Mayfair or the City" is "friendlier" to the rich man than to the working-class man or woman of any colour. In 2019, 34% of FTSE chairs were privately educated. There are subtler forces at work from the start. Top firms tend to recruit from the best universities, which has an "instant filtering effect"; "gruelling interview processes" emphasise skills such as leadership and public speaking, which "favour people from certain backgrounds". There are charities trying to redress the balance, but ultimately, businesses will "only take action when they realise their commercial interests are best served by employing more people who think like their customers".

China's threat to medicine

Steve Boggan
Unherd

Welcomed at first, China's export ban on non-human primates (NHPs) to limit the spread of Covid-19 is now seen as an "existential threat to biomedical research" in the West, says Steve Boggan. Interested parties are calling on governments to act, arguing that it is in breach of World Trade Organisation rules. Scientists fear that unless the ban is lifted, we may become "dangerously reliant" on China to test new treatments. More worryingly, "come the next global pandemic" China could end up dictating which vaccines are approved, and how fast. "Despite protests from critics," trials on NHPs remain a requirement for many drugs, including Covid-19 vaccines. The obvious solution is to breed more monkeys outside China, which would be possible in some parts of Europe and the US, but numbers will "remain finite" for at least five years because of the breeding cycle, and holding back females for breeding would increase the shortage short-term. Animal-rights activism is another issue. Fears of violent demonstrations partly account for the current industry silence. Major institutions are already sending their primate work to China because it's cheaper and easier, but ultimately, if the West loses this battle, there will be "only one winner".

Big Tech is nothing to fear

Mark Littlewood
The Times

Concerns about Big Tech are understandable, says Mark Littlewood. Are tech giants "distorting public discourse" by manipulating algorithms; does the banning of high-profile voices make them political actors; are they accumulating too much personal data? Yet history shows that markets are good at self-correcting and "often do so at a faster clip" than governments. The pre-eminence of Netscape, Microsoft and Myspace were all questioned; all were eclipsed by the competition. "We often overstate how 'sticky' a market is." Since Facebook-owned WhatsApp announced a change to its privacy policies, rivals Signal and Telegram have "benefited enormously", prompting Facebook to delay implementing its new privacy policies. The recent case of Parler (a social-media platform set up to support free speech) is troubling. It was "cast out" when Amazon Web Services refused to act as host. But "given the demand", it's as likely it will eventually succeed through "an innovative, technological breakthrough as through a change in the law". To work efficiently, markets need rules. Often, however, laws that facilitate enterprise can be more effective public policy than seeking to target firms with a large market share at a given moment.

An upside to the lockdowns

Matthew Elliott
CityAM

One upside to lockdowns is that they have forced us all to "embrace digital transformation", says Matthew Elliott. This has applied as much in the public sector as it has in private settings. Indeed, according to UN surveys, the UK is one of the "leading implementers of 'electronic' government". Tech spending rose 10% to £1.93bn last year across all departments as digital strategies became part of the "war effort". Throughout the pandemic, for instance, a company called Kainos has used its data collection and analysis skills to deliver a raft of projects, from allocating NHS beds to rapid reporting on sectors of the economy. Kainos is an "archetypal" British small business and just one of many who have made a huge contribution. It is thus welcome news that the recent (and largely unnoticed) Green Paper on Transforming Public Procurement aims to make it simpler for small and medium-sized firms and voluntary, charitable and social enterprises to compete for public contracts. Technology is one area where good progress has been made. With the Covid-19 crisis nearing its end, the government is right to turn its focus to Building Back Better. Using public procurement to encourage small business should be a part of that.

Money talks

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"It was first class everywhere. We had a whale of a time, being put up in New York's Sherry-Netherland hotel for weeks, with Defries's brilliant legal mind getting all these people to pay huge amounts of money to fund it all. He was the captain of the ship, encouraging us to be as outrageous as possible. Until it all went wrong."
Singer Dana Gillespie (pictured) on living the high life in the 1970s with the help of David Bowie and his manager Tony Defries, quoted in The Times

"That was a big risk and it led to many years of sleepless nights."
Tennis coach Judy Murray, mother of Wimbledon champion Andy Murray, on having to take out a £30,000 loan when Andy wanted to train in Spain as a teenager, quoted in The Times

"The journalist Sathnam Sanghera last week recalled an old interview he'd done with me. He asked: 'Why couldn't she just accept that she was middle class? I had done: I was once working class, but now I wasn't.' I replied: 'Just moving up a few tax brackets doesn't make you middle class. It's an attitude, it's the way you do your house up, how you handle money. I'm just like a pools winner, a poor person who got lucky'."
Sunday Telegraph columnist Julie Burchill on not joining the middle class

"I'm perfectly placed. Go through the history of our industry and you'll find that the peak of every single designer and retailer is in their 50s. That's because they really understand the past and can plunder stuff that people under 30 don't even know about, but they also have a great eye and curiosity about the future."
Superdry founder Julian Dunkerton, 55, on his fashion label and whether he has what it takes to entice 16-year-olds, quoted in The Sunday Times

Traits that make for greatness

To achieve genius, be average more often

©Getty Images

collaborativefund.com/blog

Napoleon's definition of a military genius was, "The man who can do the average thing when everyone else around him is losing his mind". He meant that most wars are lost rather than won, says Morgan Housel, and it's the same with investing: we should devote more attention to making sure we do the average thing all the time and avoid common blunders rather than strain after greatness. Here are five ways to help you become brilliantly average .

1. Accept blame for errors

It's natural to congratulate yourself for your wins and blame things beyond your control for failures, but it makes for overconfidence in your abilities and ignorance of your mistakes. "An iron rule of investing is that almost nothing is certain and the best we can do is put the odds of success in our favour. Since we're working with odds – not certainties – it's possible to make good decisions that don't work, bad decisions that work beautifully, and random decisions that may go either way." This is the way to grasp the reality of markets and see the way to do the average thing when all around you are losing their minds.

2. Expect disasters

Markets crash – it's normal. It's not possible to know exactly when they will crash, but you can know that they will. Businesses fail. It's par for the course. If you know this and can keep calm in great reverses, then you will learn another truth: that "even frequent disasters don't prevent long-term growth".

3. Don't expect replays

History may rhyme, but it never repeats itself exactly. Investors blunder when they expect the current era to play out in predictable ways based on experience. This can prevent you from seeing the world as it really is. Living through the 1970s doesn't necessarily equip you to understand what might cause inflation to soar again.

4. Know your risk tolerance

"Never risk what you need in pursuit of what you don't." As Warren Buffett said of the LTCM hedge fund blow-up: "To make money they didn't have and didn't need, they risked what they did have and did need. And that's foolish. It is just plain foolish".

5. Play your own game

Investors have a tendency to be influenced by the actions of other people who are playing a different financial game than they are. Momentum investors may chase a stock price higher and higher, for example, but if you're a long-term value investor, this is no reason to buy on the fear of missing out.

How David can beat Goliath

thereformedbroker.com

The GameStop drama was presented as a battle between David and Goliath, says Joshua Brown. But on Wall Street, David never wins. The hedge-fund industry manages $3trn. Funds are backed by banks and brokerages, which are backed by the Federal Reserve – so the money is infinite. You can't "squeeze" it. It will crush you. The "louder and more bellicose you get on the internet", the harder it will fight back. The hedge funds may have had to beat a retreat for a while, but they have reloaded and will be back. "I promise you they will all be in the Hamptons this summer."

There are, however, proven strategies that David can take in the face of Goliath. Avoid Goliath entirely and focus instead on "building a stronger, smarter, healthier, happier version of yourself". Invest time and energy in the furtherance of your career, not in internet chat rooms. Focus on the main thing under your control – how you save versus how much you spend – and then allocate as much as possible to an investment portfolio. Diversify, minimise fees, and be humble. Don't listen to the hype, the newsletters, the charlatans. "Accepting your limitations isn't the same as admitting defeat. It's how you succeed. Because you stop playing the wrong game and start playing the right one."

The power of cold showers

spectator.co.uk

Hippocrates prescribed them to allay lassitude, James Bond favoured them as a sign of manliness and in less indulgent times Gordonstoun school insisted on them. Now the "wellness brigade" too has latched onto the value of cold showers, says Laurie Graham. They can, apparently, boost the immune system, improve circulation and give "a wake-up call to the body's brown fat, which is apparently A Very Good Thing". But they also bring psychological benefits – reducing procrastination and avoidance of unpleasant tasks. They help you, in other words, to "stop being a wuss".

It worked for 007

©Alamy

A study in the Netherlands found that those who took cold showers for just three weeks took fewer days off sick from work simply because they were more likely to "power through". If you want to give it a go, use the "Scottish technique" favoured by James Bond. Start with hot water and soap, then finish with a rinse of cold. The point is to "learn to accept discomfort, to push yourself to do something you don't want to do – be it completing your tax return or even just starting work on a dreich winter morning". It sets you up for the day.

Short-sellers are not the enemy

pragcap.com

The recent craziness in markets has put short-sellers back in the spotlight, says Cullen Roche. But the arguments advanced against them are fallacious. Pump and dump schemes are far more common than short-selling ones as they are easier to pull off, but people don't say we should therefore ban buying.

The debate boils down to whether short-selling – borrowing shares then selling them in the hope of profit when the price falls – distorts price discovery or hurts the underlying business. The truth is that it surely doesn't. Stockmarkets are mostly secondary markets – stocks trade after all the actual investment has been done. It's much like a gamble on the horses. The horses run the actual race and the bettors do stuff that reflects the value of those horses. But the bets don't actually make the horses run faster or slower. Buying or selling stocks is much the same.

Has there ever been a great business that failed because of short-sellers? No. If you run a great business then people will want to own it. Short-sellers can't harm the underlying firm if it is sound in the first place.

Finding fast-growing private firms

It has become much easier in recent years for investors to tap into the growth of unlisted companies

David Stevenson
Investment columnist

Several venture-capital funds focus on life sciences

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Only a decade ago investing in fast-growing private, non-listed companies was largely the preserve of institutional investors willing to put millions of pounds to work over long timescales. But today the funds targeting private companies are proliferating so fast that one could forgive investors for being slightly confused. Here is an overview of the various structures and strategies.

Tax-efficient VCTs

Arguably the most accessible structure, and certainly the most tax-efficient, is the venture-capital trust concept we discussed a fortnight ago. These trusts have been redesigned in recent years to focus more on genuinely risky, fast-growing companies – hence the generous tax incentives, which include upfront 30% tax relief. But VCTs also have their downsides.

Performance has been extremely varied, and many funds continue to trade at sizeable discounts to net asset value (NAV). Investors also only retain the tax privileges if they hold the shares for the full five years. And although there are some first-rate fund managers in this sector, not all of them are in the top tier of private-equity or venture-capital managers.

Perhaps the hottest niche outside of VCTs, and certainly the fastest-growing in terms of funds managed, is what one might call the pre-IPO (initial public offerings) model. The Chrysalis fund pioneered this approach, but Baillie Gifford's Schiehallion fund – relatively inaccessible to most private investors on internet platforms – is now giving it a run for its money, with 12-month price returns of 39%. The idea here is to invest in the later stages of development of young businesses (once they have found their feet), mostly backed by well-established venture-capital funds.

Many of the businesses such as Starling Bank – a big part of the Chrysalis portfolio – are still relatively young and only just nudging into profit, but valuations can be extremely high. Baillie Gifford has an excellent pipeline of global deals, jam-packed full of tomorrow's potential unicorns. The downside of both funds is that they are primarily aimed at institutional investors and Schiehallion continues to trade on the specialist-fund segment of the main market. One other risk to be aware of is that both funds depend heavily on the IPO pipeline remaining open, which could be problematic if investors turn bearish and new listings struggle. Both of these pre-IPO growth capital funds are run by mainstream fund managers, not specialist private-equity or venture-capital firms.

Venture into venture capital

Growth capital for youngish firms can also come through traditional venture-capital (VC) groups such as Draper Esprit, whose shares are quoted on the London market. It is now worth over £1bn. Draper Esprit is much closer to the business model of the archetypal Silicon Valley tech buccaneers, and has delivered solid, 45% returns for investors over the last year. But be aware that VC investing is always highly risky and in a market sell-off this asset class tends to underperform. Sticking with that "traditional" VC model, it's also worth looking at Augmentum Fintech, which is London listed and is focused solely on venture investing in the fast-growing fintech sector.

There is also a small subgroup of explicitly tech-focused VC funds. They usually concentrate on one core sector, such as life sciences. In this category you will find a growing number of biotech VC funds, notably Syncona, RTW Ventures, PureTech Health and Arix Biosciences. These all run diversified portfolios of very early stage and later-stage businesses as well as a smattering of listed biotech firms. The business model here can seem very different from the conventional VC model. Specialist teams of scientists employed by a fund manager scour the university and research sector looking for teams to build new products.

PureTech is up by 112% over three years, while Syncona has gained 123% in five years. This brings us to the university spin-out expert, the IP Group. It commercialises intellectual property from the university sector. Over the last year its shares have risen by 60%.

Finding profitable businesses

All these funds tend to back earlier-stage businesses, not more mature but still high-growth businesses already making solid profits. That is a category that private-equity (PE) firms tend to focus on, but their approach is radically different.

In this part of the PE/VC spectrum, there is more emphasis on using financial engineering to maximise returns, and there is also a big focus on buyouts and rolling up a number of businesses into a new, arguably more efficient entity. But that does not mean that PE funds ignore fast-growth private businesses.

Hg Capital in particular and increasingly Oakley Capital are very much focused on private-growth businesses in European tech. Hg has provided a share-price return of 28% over the last 12 months. Dig around inside the portfolio of both managers and you will find all manner of tech-enabled businesses providing everything from business services to educational services and even Rightmove rivals in southern Europe.

Investing in fast-growth, private businesses is not for the faint of heart. Valuations for the underlying portfolio businesses can often be astronomic and realisation records are key: you need the managers to show that they have made investors money on numerous exits. And remember that the promise of any future realisations is mightily dependent – though not exclusively so – on stockmarkets remaining bullish and the IPO pipeline staying open.

Activist watch

Elliott Management has called on Finnish financial group Sampo to "ditch" its stake in the Nordic region's biggest bank, Nordea, to focus solely on being an insurer, says Richard Milne in the Financial Times. The activist said that Sampo's huge stake in Nordea was a "significant distraction" and an "albatross" hampering its core business, as well as the reason the group is trading at an unfair discount to its rivals. Elliott said that Sampo should aim to have sold its 15.9% stake in Nordea by the end of the year; doing so would crystallise value of more than €8bn for the group's shareholders. Sampo declined to comment, but it had already sold a fifth of its stake in Nordea last November, when it claimed that it intended to "explore options to continue" the process to focus on insurance.

Vanquishing the virus: the race to make vaccines for Covid-19

The extraordinarily rapid development of effective treatments against the coronavirus is a triumph of biotechnology, says Dr Mike Tubbs. He reviews the story and explains what it means for investors

Many MoneyWeek readers will have had their first Covid-19 vaccine jab by now; a few will have had their second. The advent of the vaccines is a story of clever biotechnology deployed with lightning speed, illustrating the sector's rapid development over the last two decades. The Covid-19 virus was only sequenced (genetically mapped) in mid-January 2020 and the first two vaccines approved in the UK were the Pfizer/BioNTec treatment in early December 2020 and the AstraZeneca/Oxford University one in late December – 11 and 12 months later respectively.

The International Federation of Pharmaceutical Manufacturers & Associations says that the normal timescale for vaccine development is between ten and 15 years. Prior to the Covid-19 vaccines, the record for vaccine development was four years for the mumps treatment, which emerged in 1967.

The Pfizer/BioNTec and Moderna vaccines use similar mRNA technology, whereas the AstraZeneca/Oxford one uses a viral-carrier approach. All three vaccines benefited from previous research on two other coronaviruses, Severe Acute Respiratory Syndrome (Sars), which emerged in China in 2003, and Middle East Respiratory Syndrome (Mers) which jumped from camels to humans in 2012. Covid, Sars and Mers are called coronaviruses because of the spikes on their surface that resemble a crown under the microscope.

The breakthrough in mRNA technology

The story of mRNA starts in 1990. Synthetic messenger RNA, or mRNA, is a clever variation on the natural RNA that directs protein production in the body's cells. The promise of the technology has always been that a modified form of it could be injected into the body to transform body cells into drug factories producing the right antibodies (proteins developed by the body that defend the immune system).

This was the idea that Hungary's Katalin Karikó had while she was at the University of Pennsylvania in 1990. Her grant applications to develop the technology were all rejected for the reason that synthetic RNA was known to be vulnerable to the body's defences, so it could be destroyed before reaching its target cells and that could cause an immune response that might have serious consequences for some patients. But Karikó persisted and was even demoted by her university for not bringing in enough research grant money.

"This is a story of clever biotech deployed with lightning speed"

With a collaborator at her university, Drew Weissman, she solved the problem. Every strand of mRNA is made up of four parts called nucleosides, and one of these was triggering the immune response. Karikó's solution was to replace the problem nucleoside with a slightly modified version to make an mRNA that could work its way into cells without triggering the problematic immune response. Karikó and Weissman described their discovery in several papers published in 2005 and later.

Surprisingly, it was only scientists at two small biotechs – the founders of Moderna and BioNTec – who realised the enormous potential of Karikó's discovery and both set about exploiting it by developing the technology to make mRNA medicines. When Covid-19 came along they both realised that an mRNA vaccine could be effective against the new virus. The vaccine is just a piece of mRNA inside a coating. The mRNA contains the code for a protein of the spikes of the Covid-19 virus. So once the mRNA enters cells, the cells produce this virus protein and the immune system recognises it as a foreign molecule and the body produces antibodies to fight it.

The AstraZeneca/Oxford approach

The AstraZeneca/Oxford vaccine uses a different technology based on the use of a carrier virus, a virus used to insert a gene into cells. Genetic code of the Covid-19 spike-protein is added to the carrier virus so when the carrier virus enters body cells, the spike-protein's genetic code makes the cells produce the surface spike protein of the coronavirus. This produces an immune response so the immune system can attack the Covid-19 virus should it later enter the body.

The AstraZeneca/Oxford vaccine uses a carrier virus that is a weakened form of the virus causing the common cold in chimpanzees. The carrier virus is in fact isolated from chimpanzee stools and has been genetically altered so it cannot multiply in humans. Oxford University had already used this carrier-virus technology to make candidate vaccines against flu and Mers. This enabled the team to make a flying start on developing their Covid-19 vaccine.

The Medicines and Healthcare products Regulatory Agency (MHRA) realised how important it was going to be to approve new vaccines as quickly as possible without prejudicing safety and therefore devised a new method of rolling approval. This involved the regulator examining clinical trial results as they came in rather than waiting until all results had been gathered before starting regulatory examination.

Covid-19 vaccines were also approved under emergency-use regulations requiring companies to conduct follow-up surveys to look for side-effects and monitor efficacy in the field. The MHRA approved the Pfizer jab on 2 December 2020 and the US Food and Drug Administration on 8 December. In terms of vaccine rollout in large countries the UK is leading with 18% of its population vaccinated by 9 February; the US follows with 9%. In the EU the figure is 2.4%-2.8%.

The problem with mRNA vaccines is that they must be stored and transported at very low temperatures. The Pfizer vaccine must be transported in dry ice (implying a temperature of -78 degrees centigrade) and stored between -80C and -60C. This compares with domestic freezer temperatures of -23C to -18C. Once the vaccine is removed from storage, it can be kept in a refrigerator (2C to 8C) only for up to 120 hours. These requirements make it difficult to use in less developed countries and in many doctors' surgeries.

The Moderna vaccine, however, is less sensitive to heat and only requires storage at freezer temperatures (-25C to -15C). It can live in a fridge for up to 30 days. The AstraZeneca/Oxford vaccine, on the other hand, can be transported and stored at refrigerator temperature for at least six months. The AstraZeneca treatment costs £3 per jab in the UK. The Pfizer and

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Katalin Karikó's persistence led to the development of mRNA technology, which two of the vaccines are based on

Moderna jabs cost £15 and a reported £26 respectively. Clinical trials show that the Pfizer/BioNTec and Moderna mRNA vaccines are up to 95% effective from a week after the second dose. The AstraZeneca vaccine is up to 90% effective after two doses spaced well apart. Some of the clinical trial volunteers were given a half dose followed by a full dose and this was more effective than two full doses.

However, it transpired that the half-dose cohort were in fact given their second doses after a longer delay and it was probably the delay rather than the half-dose that increased effectiveness. This conveniently ties in with the UK government's decision to delay second doses of all vaccines so they are given 12 weeks after the first. The AstraZeneca vaccine gives 76% effectiveness after the first jab.

Modifications will beat mutations

The AstraZeneca vaccine is effective against the dominant "Kent" variant in the UK, but a small South African study suggests it offers minimal protection against mild infections from the South African variant (although it seems to be effective against serious ones). Oxford/AstraZeneca have started adapting their vaccine to the South African variant. The modified vaccine will be ready by the autumn.

Both types of vaccine should be quickly modifiable to be effective against mutations of the Covid-19 virus. This is because mutations have differences in the surface-spike proteins, which enable them to bind better onto the surfaces of body cells. Both types of vaccine contain genetic code from the spike protein. So to fend off the mutation, code from a mutant strain needs to be inserted into the vaccine instead of code from the original coronavirus. Regulators believe that only a small clinical trial involving a few hundred volunteers will be needed to assure safety and effectiveness of such modified vaccines.

More treatments are on the way

Three other vaccines are well advanced in clinical trials and are likely to be approved for use in the UK. They are from Novavax, Valneva and Johnson & Johnson (J&J). The J&J vaccine uses a similar technology to the AstraZeneca one, based on a carrier-virus the company developed for its Ebola vaccine. Valneva's vaccine is of a more conventional type, using an inactivated virus, whereby the virus is killed with heat or chemicals and its dead cells are introduced into the body; the immune system is instructed how to fight live versions of it in the future. The Novavax vaccine is a recombinant vaccine: it uses a specific fragment of the coronavirus that acts as the foreign antigen for the immune system to react against. This virus fragment is inserted into cells to make them produce large quantities of active ingredient for the vaccine. The hepatitis-B vaccine uses similar recombinant technology.

What this means for investors

Investment analysis and fund platform Morningstar estimates that global herd immunity to Covid-19 should be reached by 2023, with peak vaccine sales in 2021 and 2022 sales at 40% of 2021's. The coronavirus vaccines represent only small proportions of the turnover of large pharmaceutical companies such as Pfizer or AstraZeneca, so one does not expect vaccine approval or vaccine orders to have much effect on their share prices, which have changed little since November, while Moderna's stock has rocketed from $18 to $170 in a year. Long-term investment returns from Moderna depend on the firm finding new valuable medicines using its mRNA technology. But for now **AstraZeneca (LSE: AZN)** appears good value with a recent share price of 7,340p versus Morningstar's estimate of fair value of 8,360p, while the same applies to **Pfizer (NYSE: PFE)**, with a price of $34.9 compared with Morningstar's fair-value estimate of $40.

"Johnson & Johnson's Covid-19 vaccine is based on its Ebola treatment"

The FTSE 100 is finding its feet again

Britain's blue-chip index has undergone constant churn in the 37 years since its inception, says Max King. It is now starting to catch up with its global counterparts

The news late last year that the value of a single US company, Apple, had overtaken that of the entire FTSE 100 index marked another milestone in the long decline of the UK equity market. How has this happened, and is the trend reversing? If so, then the many British investors with a home bias could recover some of their missed performance relative to global markets.

It is 37 years since the FTSE 100 was first constructed as a market capitalisation-weighted index of the largest 100 companies with a full listing on the London Stock Exchange. Until then, investors had to make do with the FT30 index, unweighted, idiosyncratically composed and calculated only every hour, and the All-Share index, calculated daily.

The combined market value of the initial 100 companies in 1984 was just over £100bn and the index was based at 1,000. At the end of January 2021, it stood at 6,407, representing an annual gain of 5.1%. But it was valued at over £1,500bn, reflecting an annual growth rate of 7.6%. This implies that 33% of the growth in value of the index has come from net share issuance.

The index reached 6,930 at the end of 1999 and only passed that level again at the end of 2016, peaking at 7,877 in May 2018. Now, it is only 11% above the level of 15 years ago. Between the FTSE 100's inception and the end of 2005, UK equities had returned a compounded annual average of 12.5% (8.5% in real terms). Since then, the annual total return of the FTSE 100 has been 4.7%, before tax, only 2% ahead of inflation.

In 1984, the largest company in the index was BP, valued at £7.4bn, and the 100th was valued at just £100m. Now, the largest is Unilever at £104bn and the cut-off for the 100th is around £3.8bn. Only 40% of the capital of Royal Dutch Shell, then number two, was included in 1984, valued at £6.5bn. Now, both of Shell's share classes are included, valued at £102bn. It's still number two, followed by AstraZeneca at £95bn. BP's market value is now £51bn, but it acquired Amoco, ARCO, Britoil and Burmah (BP's founding shareholder in 1905) along the way, while the government sold the 50% stake it held in 1984.

The Premier League of indices

Every quarter, two or three underperforming constituents are dropped from the index and replaced. As in the Premier League, most of those exiting soon return and most of those promoted depart a few quarters later, with only the takeover victims disappearing forever. But over time the changes are striking. By 2005, only 42 of the original constituents were still in the index and only 23 had been in it throughout.

Now, those 42 are down to 28. Wikipedia lists 277 past constituents. Many, such as Rowntree, Boots,

"The blue-chip index reached 6,930 in 1999 and only eclipsed that level again in 2016"

The energy sector has hampered the index in recent decades

BOC and GKN were taken over. Others, such as Wellcome, Wimpey and Sun Alliance, merged to form new FTSE 100 companies. Some, such as Maxwell Corporation, Ferranti and Polly Peck collapsed due to fraud, or simply went bankrupt (Intu, Debenhams and British & Commonwealth). The list includes now-forgotten companies, such as Baltimore, Psion and Thus, which proved to be flashes in the pan. Many more are still listed but not in the FTSE 100, either because they have tripped up but could return, such as Serco, Capita and M&S, or because they have simply been left behind (Hiscox and Alliance Trust).

Banks and oil giants are fading

The survivors are either a shadow of their former selves or have changed radically. BT was once the largest company in the FTSE, but Unilever's market value is now more than eight times bigger. The banks are no longer giants of the market and the oil majors are fading. Reed and Pearson were conglomerates, but are now focused on publishing. British American Tobacco (BAT) disposed of its financial services, retailing and cosmetics arms and Whitbread no longer brews beer. In 1984, Imperial was a brewer, a pub owner, a producer of frozen and snack foods and a UK-only tobacco company. Now it is a global tobacco group.

Digging deeper, however, shows that there has been rather more continuity. Distillers was acquired (controversially) by Guinness, which then merged with Grand Metropolitan to form Diageo, spinning off Intercontinental Hotels to form two current FTSE 100 constituents. Great Universal Stores has gone, but two of its businesses, Experian and Burberry, are prospering. ICI is no longer with us, but its

"Many companies have grown through takeovers, despite ample evidence that mergers destroy value"

pharmaceutical division, Zeneca, now thrives within AstraZeneca. Initial Services, once a part of BET, is now half of Rentokil Initial.

Many current FTSE 100 constituents were either promising mid-caps in 1984 (Smiths Industries, Bunzl, SEGRO), or still small caps (Spirax Sarco, Weir, Halma, Ashtead, Berkeley Homes). Others were not listed or even founded then, including London Stock Exchange, Hargreaves Lansdown, Just Eat, Ocado, AVEVA and Rightmove. Herein lies a paradox: though nearly all of the FTSE 100's underperformance against Wall Street has occurred in the last 15 years, there is more evidence of innovative companies now than there was then.

A lack of organic growth

In 2005, the weaknesses of the UK market were all too apparent. Very few companies had climbed into the FTSE 100 primarily through organic growth; among the few who had were Sage, Next and Capita, and the latter subsequently fell flat on its face. WPP, which made supermarket trolleys until Martin Sorrell took control, doesn't count as he built this global marketing and advertising giant by acquisition.

Fifteen companies (up from three in 1984, but down from a peak of over 20) were the result of privatisation. These had benefited from their transfer to private ownership, but were running out of steam and into regulatory strife. Only seven remain in the index. Demutualisations, such as Northern Rock, Alliance & Leicester and Halifax, accounted for another six, but this proved to be the road to ruin.

Many companies had grown through takeovers, despite ample academic evidence that mergers and acquisitions were more likely to destroy than to add value. BTR had risen from small beginnings to be one of the largest companies in the market through the acquisition and subsequent rationalisation of underperforming companies, but, as Invensys, was barely surviving in 2005. The equally acquisitive Hanson group had broken itself up with Imperial as the sole listed survivor. Electronics and defence giant GEC remained wary of acquisitions, debt and capital investment until it threw caution to the wind, changed its name to Marconi and committed corporate suicide via a spending spree in the technology bubble.

Other participants in the merger mania of the late 1990s, such as the oil majors, survived as unwieldy corporate dinosaurs, destined for long-term underperformance. Vodafone had been spun out of Racal Electronics as one of three companies to be awarded a UK mobile licence in the 1980s, but expanded globally by acquisition. The share price of Glaxo, which had absorbed Wellcome and SmithKline Beecham, was suffering from indigestion and is still 38% below its 1999 peak. The banks were busy acquiring and overexpanding. The accepted wisdom in boardrooms was that companies had either to acquire or be acquired.

While the FTSE 100 contained just one technology stock in 2005, the S&P 100 contained 19. It also included 14 healthcare companies, including some, such as Amgen and Genentech, which had emerged from biotech status. Despite the parallel boom in mergers, US companies had relied far less on share issuance for growth. Those companies that were highly acquisitive, such as GE, then the largest US company, have paid a heavy price in subsequent underperformance.

Though there is now far more innovation in the FTSE 100 than 15 years ago, structural weaknesses remain. Technology comprises 28% of the S&P 500 and healthcare another 14%. Technology accounts for nearly 10% of the MSCI Europe (ex UK) index and healthcare nearly 16%, but just 1.3% and 10% in the UK. Energy is 9% and materials (mostly mining) 13% of the FTSE 100, but in the US these two sectors comprise just 5% of the market; in Europe, 10%.

An improving outlook

The FTSE 100 still contains eight miners, down from 12 in 2011. Some of these maintain little more than an office here. For them, a UK listing is a flag of convenience, preferable to a home listing in a small market. This also applies to Mondi (Austria), Smurfit Kappa (Ireland), and Coca-Cola HBC (Greece). It undermines the concept of the FTSE 100 as a UK index, but, following some past governance mishaps, the stock exchange has tightened up on the listing of overseas companies, to the benefit of index performance.

While the FTSE 100 has slumbered, the mid-cap FTSE 250 has done much better. It was launched in 1992, but dated back to the end of 1985, when it was set to equal the FTSE 100. At the end of January 2021 it stood at 20,228, an annual gain of 8.5%, 3.6% ahead of the FTSE 100. As the mid-cap companies move into the FTSE 100, large-cap performance should improve, provided that the promoted companies maintain their momentum. This has been a slow process, more than countered by the stagnation of the mega caps.

From here, the outlook is better. More growth companies are likely to be promoted, there are many more quality companies in the index than before and the drag from the dead-weights will lessen. Continued stagnation of these is not inevitable, as shown by the reinvigoration of AstraZeneca. Others may follow, while the prospects for the banks, the oil majors and the Covid-19 sufferers will surely improve. The recent improvement in the relative return of the FTSE 100 is no false dawn.

Dealing with debt

Various types of credit card make owing money much less expensive

Ruth Jackson-Kirby
Money columnist

Did you run up some debts at Christmas? According to National Debt Advice, a third of us borrow money to pay for Christmas gifts, while a fifth of us use credit to finance Christmas food.

If you have debt on a credit card that you can't pay off, it can be moved onto a balance-transfer credit card. These cards offer a 0% introductory period, which means you won't pay any interest on balances you transfer from other credit cards for that length of time.

When comparing balance-transfer credit cards there are two things to look at: the length of the interest-free period and what the balance transfer fee is. You then need to balance these two elements to find the cheapest card for you.

For example, the longest 0% balance transfer deal currently available is 29 months from Sainsbury's Bank, but it comes with a balance transfer fee of up to 4%. On a £1,000 debt that means paying £40 to transfer your balance.

If you have a very large debt and will need over two years to clear it, then the 4% fee may be worth it. However, if you don't need that long to pay off your credit card look for a card with a shorter 0% period and a lower balance-transfer fee. For example, Santander's All in One credit card offers an interest-free period of 26 months for balance transfers with no transfer fee at all.

Anyone who has built up debt through a personal loan or overdraft can move it onto an interest-free credit card. To do so you need to apply for a money-transfer credit card. MBNA currently offers a 14-month interest-free money-transfer credit card with a 3.49% fee.

When you need to make a big purchase, it is a good idea to put it on a credit card, even if you could afford to buy the item out of savings. That's because credit cards give you extra protection through Section 75 of the Consumer Credit Act.

"When the introductory interest-free period runs out, the interest rate will rocket"

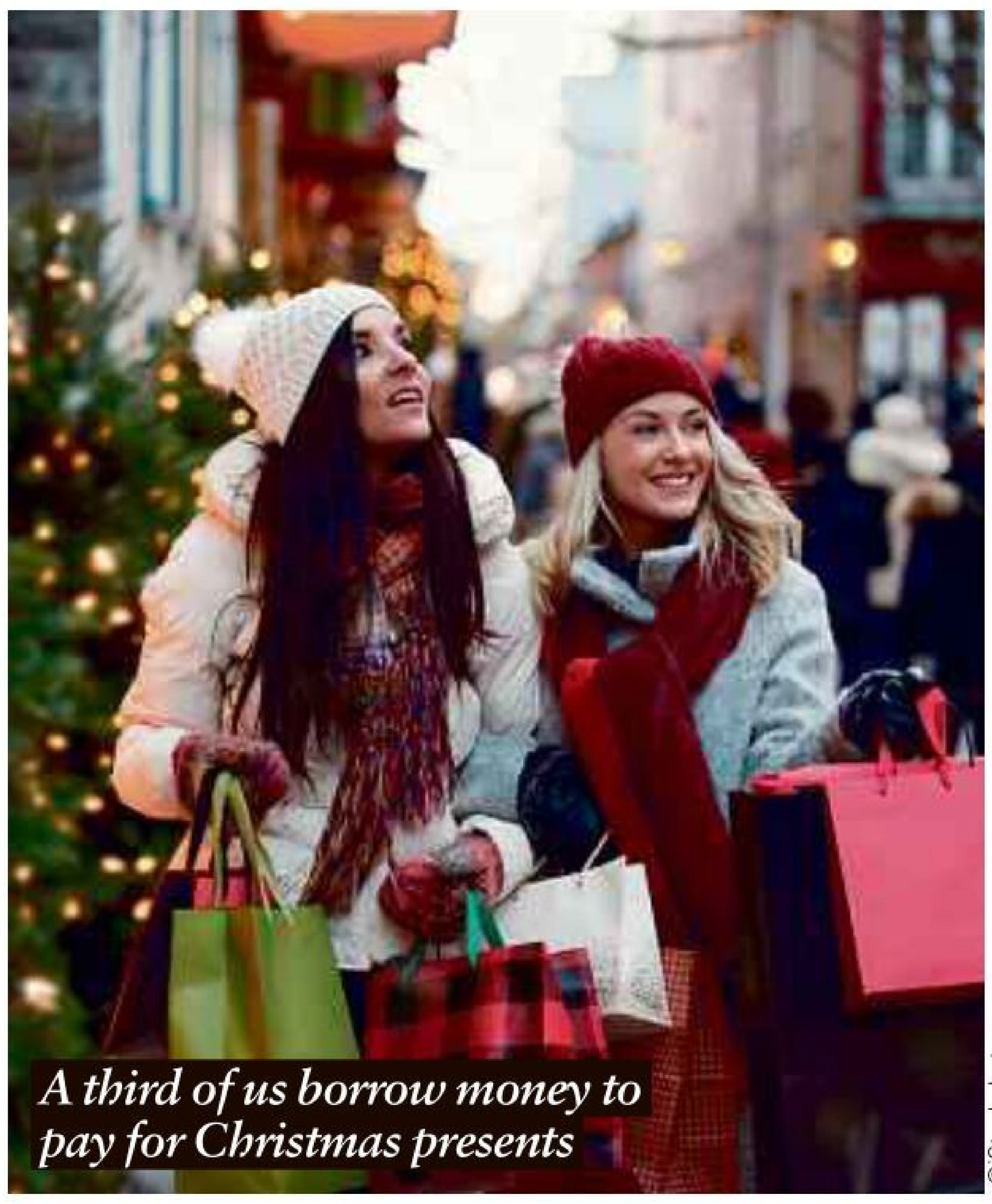
Buy anything worth between £100 and £30,000 and, if the purchase goes wrong, you can get a refund from your credit-card provider if you can't get one from the retailer.

If you also want to spread the cost of the item, opt for a credit card with an interest-free period on purchases. Both Virgin Money and Sainsbury's Bank are offering 20 months at 0% on purchases with their credit cards.

Be aware with any credit card that has an introductory interest-free period – it may not cover everything and when it runs out the interest rate will rocket. For instance, spend on the Sainsbury's Bank balance-transfer card and you'll pay a 21.95% annual percentage rate (APR) of interest.

If you pay off your credit-card balance in full each month then you won't need to worry about paying interest – in which case, you may want to consider a cashback-credit card. Virgin Money has launched a new Money Back scheme that allows its credit-card customers to earn up to 15% cashback on some purchases.

Customers need to sign up to the scheme; then they will be sent personalised money-back offers. Alternatively, the American Express Platinum Everyday cashback card pays 5% for the first three months then 1% (or 1.25% if you pay a £25 annual fee) on all your purchases.



A third of us borrow money to pay for Christmas presents

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Brexit: a bumpy beginning

Small companies trading with the EU have struggled so far. Here are the key problems to watch out for

David Prosser
Business columnist

Specialist third-party customs agents can help you navigate the new rules

©Getty Images

Five weeks into the new trading arrangements between the UK and the European Union, many owners of small and medium-sized enterprises (SMEs) are still struggling to get to grips with the new system.

The volume of exports going through British ports to the EU fell by 68% last month compared with volumes in January last year, according to a survey by one trade body, the Road Haulage Association (although the government disputes this figure).

The UK's largest exporters have the resources and scale to cope with short-term disruption and to absorb additional costs. However, for some smaller businesses, the problems are so serious that they could make EU trade unviable. The challenge is not simply new systems and procedures; many additional costs are here to stay.

One key problem is VAT. As the UK is no longer part of the single EU VAT area, the sales taxes due on British exports are now collected by each country. The buyer has to settle the bill upfront, adding to the cost of the goods.

It is not just the cost of VAT for buyers that risks making exporters' goods uncompetitive. They must also deal with the additional administrative expense of registering for VAT in all the EU jurisdictions to which they sell; in countries where sales are low, the hassle may not be worthwhile, with some small businesses suspending exports as a result.

> *"Food manufacturers may need a £180 health certificate"*

Another concern is that while small businesses were told the trade agreement with the EU was tariff-free, the description only applies to products manufactured in the UK for sale to the EU.

Goods that UK businesses import from non-EU nations for sale into the bloc do now attract tariffs. This is a headache for industries such as fashion, for which manufacturing costs in the UK are often too high.

Moreover, understanding which goods fall foul of this system is not straightforward. Complex rules of origin apply: goods that have been substantially altered in the UK before being resold to the EU may still count as manufactured in this country, in which case there are no tariffs to worry about. But exporters have to work this out on a case-by-case basis.

Shipping costs are rising

Logistics businesses and couriers on the front line of dealing with the new arrangements are suffering delays and extra costs as goods are held up at the border or turned away by buyers asked to pay fees and taxes. As a result, these firms are raising their shipping costs, squeezing exporters further.

In addition to difficulties that affect all UK businesses exporting to the EU, there are also sector-specific problems. British food manufacturers, for example, have discovered they now need a health certificate to sell some products.

The £180 document is needed for each retail order shipped, even though the value of some of those orders will be far below this figure. And special rules apply to businesses based in Northern Ireland.

The bad news is that while there are ways to deal with many of these problems, each solution carries its own costs. For example, it makes sense for SMEs to work with specialist third-party customs agents, who will ensure paperwork is in order to minimise cost and delays. But these agents' services are hugely in demand and come at a price.

Alternatively, some exporters are now looking at opening subsidiary businesses inside the EU to handle their sales inside the bloc. This can be an effective way to avoid many of the taxes and duties now payable.

Still, it will require companies to rent new space and navigate EU employment laws and regulation. And in addition to the extra cost of such operations, many businesses fear this would mean laying off staff in the UK.

In other words, there are no simple solutions. Small businesses are going to have to make a hard-headed assessment of the sales they make to each EU country in order to assess whether it is worth continuing to export there.

Make use of the expanded ombudsman service

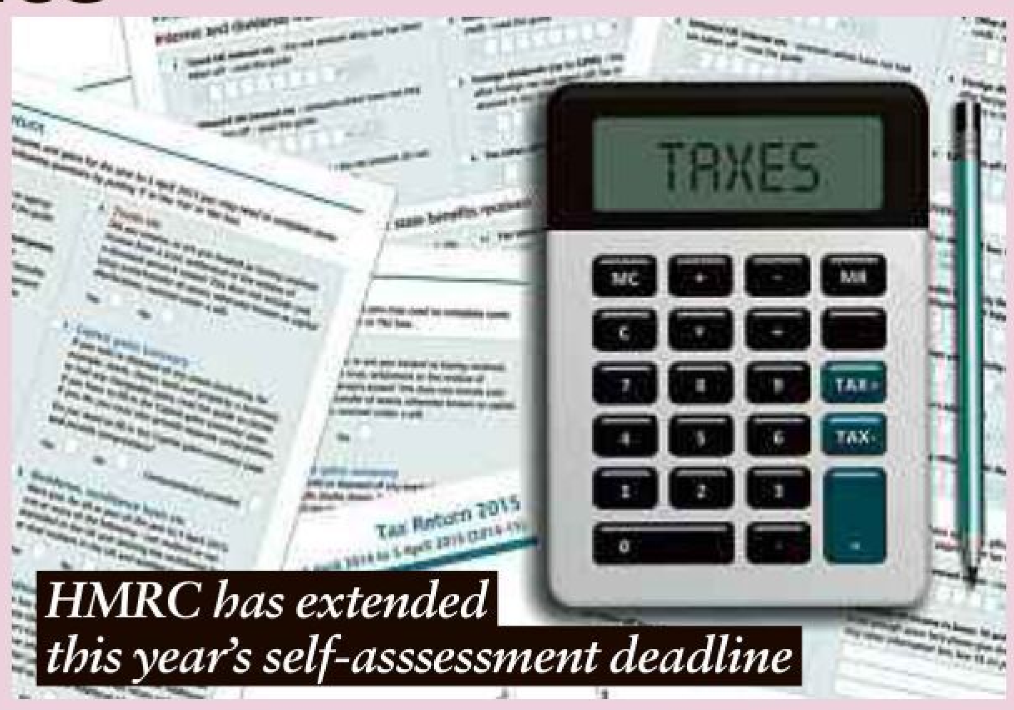
- Disputes between small businesses and financial services companies have increased sharply as a result of the Covid-19 pandemic. From complaints about insurers refusing to pay out on business interruption cover to banks managing loan deals unfairly, many firms feel unjustly treated.

But not all small businesses realise help is available. A major expansion of the Financial Ombudsman Service (FOS) last year means that 99% of firms are now eligible to use the independent regulator if they are unhappy about how their complaint has been handled.

The FOS covers disputes with a wide range of financial services companies, including banks, insurers and pension companies. If you have a dispute with one of these firms, you must go through its complaints procedures first; if you can't resolve the issue, you can then ask the FOS to intervene. It offers a free service that is binding on the financial-services business, though not usually on the complainant.

- Good news for self-employed workers and others covered by the self-assessment tax system who have not yet filed their latest tax return and would therefore normally be facing a £100 fine by now. The government has effectively extended this year's tax return deadline until 28 February by promising that no penalties will be charged on forms it receives before then. HM Revenue & Customs is also offering more time to pay your tax bill via its Time to Pay instalment scheme.

- Small businesses that want to take part in the government's Kickstart Scheme to boost the employment market will now find it easier to do so. The scheme, which funds work placements for job seekers, had previously required employers to offer at least 30 such openings, which ruled out most small businesses. But ministers have now dropped this requirement in a move they hope will encourage more smaller firms to take part.



HMRC has extended this year's self-asssessment deadline

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Head in the clouds

Snowflake is absurdly overvalued and its bubble is starting to burst

Matthew Partridge
Senior writer

The group notched up 2020's biggest listing

©Alamy

We are in the middle of an unprecedented technology boom, especially in the US, with the tech-heavy Nasdaq Composite index doubling in just over two years. Of course, this is not entirely irrational. For example, some companies, notably Facebook, Google and Amazon, have managed to deliver on the promises made over a decade ago.

Low long-term interest rates have also increased the value of future profits, while a case can be made that the pandemic has accelerated genuine long-term changes in the way that we shop, consume goods and services, and work.

Nevertheless, several stocks have surged so far that it seems investors are willing to throw lots of money at anything that looks vaguely plausible. Perhaps the most egregious example is data company **Snowflake (NYSE: SNOW)**, the largest initial public offering (IPO) of 2020.

When its backers announced that they were taking it public, brokers expected it to be priced at $75 a share. However, demand was so great in the run-up to the listing that the shares were ultimately priced at $120. On its first day of trading it opened at double that amount. The price then continued to rocket, gaining 50% to a peak of $375 last month.

Sales doubled in 2020

Snowflake is a cloud-computing company. It makes most of its money from software that allows companies to store and analyse large data sets remotely. The idea is that in a world where everyone is working from home, or small offices, such storage and analytic services will be in demand.

Sales more than doubled last year and are expected to double again in 2021 – and again in 2022. Snowflake is also notable for having attracted initial funding from Berkshire Hathaway, the holding company run by the famous US investor Warren Buffett.

This all certainly sounds compelling, but if you look a bit more closely, the stock appears much less attractive. While cloud computing is a genuinely big investment theme, Snowflake faces strong competition from a range of operators, including large, established players such as Amazon (which dominates the market through Amazon Web Services).

Not only has Snowflake failed to make money so far, but it will also have an uphill struggle to justify a valuation of over 200 times 2021 sales. Warren Buffett's endorsement looks far less impressive when you remember that he made his reputation by investing in cash-generating companies in strong, established sectors, not moonshot technology companies.

"Cloud computing is an intensely competitive field and Amazon is a key threat"

It now appears that even Snowflake's cheerleaders are beginning to tire of the company, with the price melting down by 20% in recent weeks to the current level of $306. Still, I would advise you to wait just a little longer, shorting the stock at £7 per $1 when it falls below $280. In that case, I suggest you cover your position if the share price rises above $420, which gives you a potential downside of £980.

How my tips have fared

Four of my five long tips have gained in the past fortnight. Media group ITV went up from 102p to 108p and transport group National Express rose from 244p to 301p.

Pub group Mitchells & Butlers increased from 277p to 348p, while cruise-ship company Norwegian Cruise Lines climbed from $23.97 to $25.01. However, while building company Bellway advanced from 2,803p to 3,114p, it briefly fell below the stop-loss level of 2,750p, so you would have had to close it there, taking profits of £780. Still, even excluding the profits on Bellway, my four longs are making a total net profit of £5,610.

The short tips were more of a mixed bag. Online insurance broker eHealth slipped from $82.97 to $57.37. Electric lorry-maker Nikola advanced from $20.74 to $23.50. Online furniture retailer Wayfair fell from $294 to $289. Social-media network Twitter increased from $48 to $58, which meant that you would have covered your position at $56.20 for a loss of £980.

Online grocer Ocado fell from 2,800p to 2,688p, and food-delivery platform DoorDash decreased from $191 to $177. GameStop hasn't yet fallen below $50, the level at which I suggested you start shorting it. Overall, excluding Twitter, my short tips are making a profit of £1,485.

The closure of Bellway and Twitter leaves me with four long tips (ITV, National Express, Mitchells & Butlers and Norwegian Cruise Line), and five shorts (eHealth, Nikola, Wayfair, Ocado and DoorDash), with GameStop and Snowflake yet to be triggered. I suggest you close your Wayfair short, since it is losing money after more than six months, taking losses of £161. Raise the stop-losses on National Express and Mitchells & Butlers to 275p and 300p respectively.

Trading techniques... the Super Bowl indicator

Last Sunday saw the Tampa Bay Buccaneers beat the Kansas City Chiefs in the 55th Super Bowl. Traders who believe in the Super Bowl indicator will be pleased.

This is because the indicator suggests that the US stockmarket tends to perform better after a team from one of the two key leagues, the National Football Conference (NFC), beats a team from the other, the American Football Conference (AFC) in the big game. Since Tampa Bay is in the NFC, this should be good news for equities.

There does seem to be something to this theory. According to Russ Mould of AJ Bell, on the 27 occasions teams from the NFC won, the stockmarket returned an average of 10.5% in the following year – but an average of only 6.9% a year after the 27 AFC victories.

However, Mould points out that this may be because the AFC teams were dominant during the 1970s when stagflation depressed stocks, while teams from the NFC won 13 consecutive Super Bowls during the bull markets of the late 1980s and 1990s.

What's more, those who have placed their trust in Super Bowl theory have done badly over the last 20 years, with the market returning 9.17% on average after AFC victories, compared with only 2.76% after NFC wins. The main lesson is to ignore theories and indicators without an underlying financial rationale.

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Where to find deep value in investment trusts

Professional investors tell us where they'd put their money. This week: Nick Greenwood, fund manager and Charlotte Cuthbertson, assistant fund manager, Miton Global Opportunities

The Miton Global Opportunities trust (LSE: MIGO) seeks to find deep value and special situations (unusual stock-specific circumstances that could lead to a rerating) in the investment trust market. In the most basic terms, we look to buy good assets for as little as 70p in the £1. Because the trust can invest in any asset class providing it is available within a closed-ended structure, MIGO's portfolio enjoys enormous diversification. Below are three interesting opportunities that provide an insight into the wide range of situations that we can exploit.

Thriving after a near-death experience

Private-equity trusts are still languishing on large discounts to net asset value (NAV) following the global market turmoil we saw in March. We believe that investors remain nervous about the level of debt in some of these vehicles and are still haunted by the near-death experience this sector suffered in the Great Financial Crisis of 2008.

Fortunately, the sector does not face the same problems today. Our exposure to private equity is through trusts such as **Oakley Capital Investments (LSE: OCI)**, where we have good visibility regarding the companies it is invested in and the level of gearing employed.

Oakley has invested in many companies that should do well in the post-pandemic environment, such as online learning. The trust currently has plenty of cash, following some profitable sales, and is in a good position to exploit current opportunities.

Access to a famous hedge fund

Third Point Investors (LSE: TPOS) is a feeder fund that invests in the famous US hedge fund Third Point Offshore fund, run by Daniel Loeb. (Feeder funds collect money and then put it in a master fund; this structure is popular with US hedge funds as it tends to be tax-efficient and offers economies of scale.)

Hedge funds are secretive about their investments, but the greater disclosure required in the UK means updates for the London-listed vehicle generate lots of interest on Wall Street as the lid is lifted on what's going on in the main hedge fund. Should the discount to NAV remain wide then Loeb may tire of the scrutiny and wind it up, generating a useful uplift for shareholders. Hedge fund manager Brevan Howard recently demanded higher fees from its feeder trust and threatened to pull the plug if they are not forthcoming.

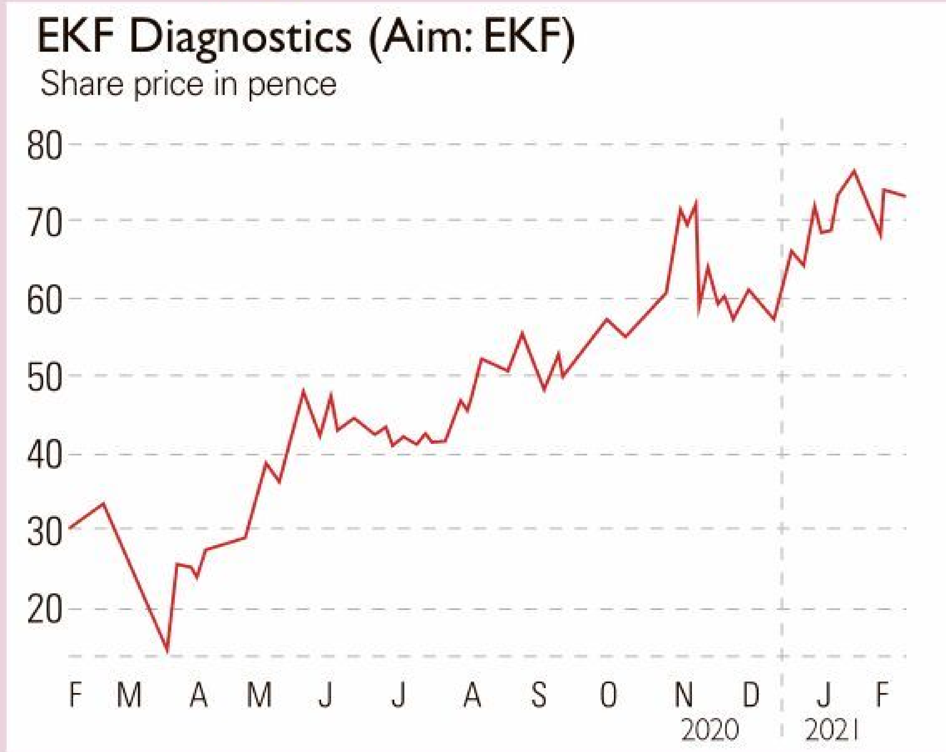
UK micro caps remain a bargain

Finally, we have some specialist UK equity exposure in the form of the **River and Mercantile UK Micro Cap Trust (LSE: RMMC)**. We bought into this sector when it was very lowly rated. Since then the trust, which specialises in growth companies in the smallest area of the market, has performed strongly.

> *"Investors are still haunted by private equity's near-death experience in 2008"*

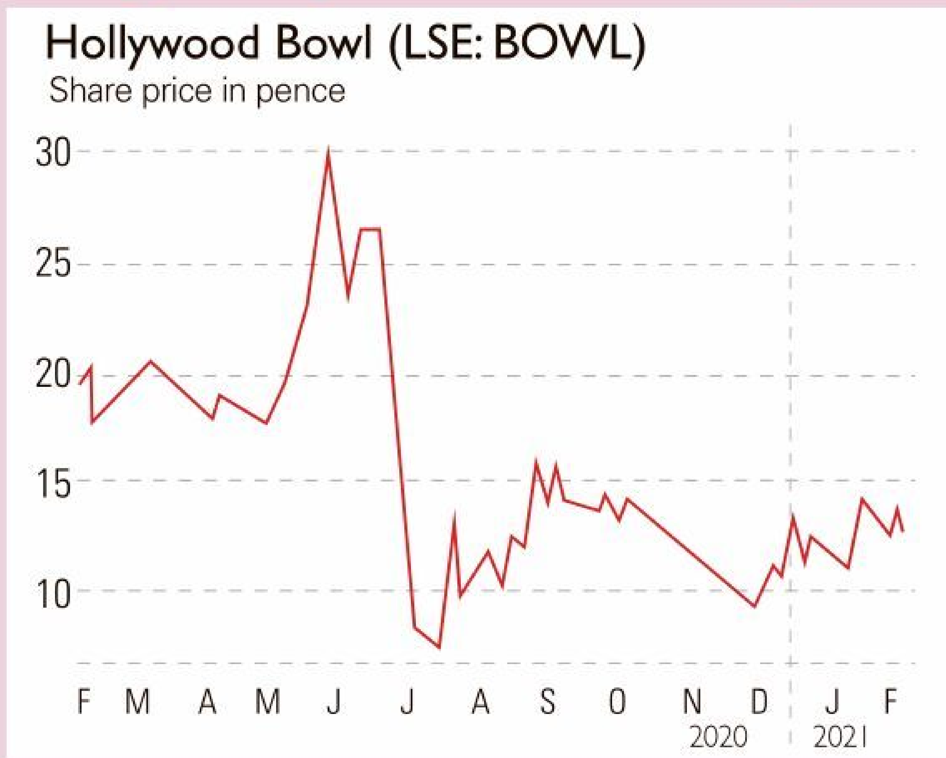
We think that the trust should continue to rerate as it is still on a larger discount to NAV than many of its peers. In order to keep the trust manageable in a sector where there is not much liquidity, it routinely hands back cash to shareholders at around NAV in order to cap the size of the portfolio at £100m. The latest redemption will be made at 253p, a useful premium to the price of 218p on the day just before this tender was announced.

If only you'd invested in...



EKF Diagnostics (Aim: EKF) is a diagnostic and laboratory-equipment maker. It produces sophisticated kits to test for diabetes and monitor people with the condition, says The Mail on Sunday. EKF's equipment provides detailed and long-term assessments of glucose levels, which can reduce or eliminate the need for medication. Soaring rates of diabetes — at least 450 million people suffer from the condition worldwide – mean the company will continue growing. Net income has risen by 61% over the past five years. The shares are up by 138% in 12 months.

Be glad you didn't buy...



Hollywood Bowl (LSE: BOWL) is a bowling operator in the UK. The company has "endured a bruising pandemic", says Nilushi Karunaratne in Investors Chronicle. The five-month closure of its venues during the first lockdown, coupled with restricted opening from mid-August, saw its pre-tax profits "almost completely wiped out" in the year to 30 September. Things are unlikely to have improved since, as centres closed again at the beginning of December. Momentum may return once services begin to open up, but for now the stock is down by 36% in a year.

Meet the new broom at Amazon

Andy Jassy is taking over from departing CEO Jeff Bezos at the world's largest online retailer. Will he be able to fill the founder's shoes? Jane Lewis reports

©Getty Images

"Jassy shares with Bezos an intense focus on the consumer and nerves of steel"

"He's been there almost as long as Jeff" is what everyone says about Andy Jassy, 53, the new man in the hot seat at Amazon. No one can dispute that, says The Seattle Times. Long considered the heir apparent to founder Jeff Bezos, who is now stepping down, Jassy joined pretty much straight out of Harvard Business School in 1997, and has been at the heart of the company's buccaneering journey from online bookseller to global dominance. "His first seat at Amazon" was in an office "the size of a closet" near Seattle's Pike Place Market.

No mere Bezos clone

Times have changed. But Amazon under Jassy is unlikely to feel much different. His management style is considered "close to a carbon copy" of that of Bezos – in part as a result of 18 months spent shadowing his mentor in a "chief-of-staff-like role" during the formative years of 2002 and 2003. The two executives share "an intense focus on the customer" and "nerves of steel". Much like Bezos, Jassy comes across "as detail-orientated and more than a little nerdy", adds The Economist. Amazon's second-largest shareholder, he's a paid-up subscriber to the founder's "rigorous, tight-fisted insistence that Amazon employees treat every day as if it were 'day one' at a hard-pressed start-up".

But it would be wrong to relegate Jassy to mere clone status, says The Verge. Critically, he was instrumental in two of the firm's most important historical shifts: leading the branch out from books to music CDs in the very early days and – from 2003 – as the brains behind Amazon Web Services, the highly profitable cloud-computing division that, in the company's last record-breaking quarter, accounted for nearly half ($45bn) of its $100bn sales.

Staff also credit him with being "way more approachable" and gregarious than Bezos. A keen fan of Seattle's rock music scene and a sports fan, Jassy "has a reputation for mischievous humour" and is a great giver of nicknames, says The Seattle Times. He often invites friends and co-workers to watch games in his basement, which he has had turned into a bar. Somewhat typically, a chicken-wing-eating contest that he instituted in the company's early days – dubbed the Tatonka Bowl – has morphed into "the largest wing-eating competition in the world".

Constant reinvention

The son of a lawyer, Jassy grew up in Scarsdale, a small town in Westchester County just north of New York and attended the local high school, says The Daily Telegraph. He went on to Harvard and then Harvard Business School. His only job outside Amazon was as a programmer at MBI Inc, a maker of jewellery and coins. When he joined Amazon 1997, it had just floated and was riding high on the dotcom boom. Jassy, notes The Verge, reportedly made "a peculiar first impression" on Bezos "by accidentally hitting him in the head with a kayak paddle during a characteristically competitive game of broomball".

Amazon's larger-than-life founder is a tough act to follow, says The Economist. "Does Andy Jassy have the chops?" Most observers seem to think so – though it is of course questionable how much control Bezos, who "plans to boot himself upstairs to executive chairman", will actually cede: many anticipate "a bit of backstreet driving". Jassy is billed "more as a continuity candidate than a revolutionary". It will be interesting to see if he sticks with that narrative. Besides, what could change at Amazon really mean? As Jassy might observe, the driving force at Amazon has always been constant reinvention.

Great frauds in history… *a market seer comes a cropper*

Martin Armstrong was born in New Jersey in 1949 and worked from his teens in a coin and stamp dealership. He later branched out into gold trading and economic forecasting, and set up Princeton Economics International. He developed a theory of market cycles, which he claimed occurred every 8.6 years, winning him a cult following. After correctly predicting that the Japanese market would peak in December 1989, he moved into investment management, raising money from Japanese investors who had lost money during the subsequent collapse of the Japanese stockmarket.

What was the scam?

Armstrong offered to exchange the investment portfolios of Japanese companies in return for what he called "Princeton Notes". The idea was that he would liquidate the assets in their portfolios, invest the proceeds in the US, and pay the companies 4% a year and a share of his profits. This would enable them to cover their losses from the collapse in domestic stock prices without immediately having to declare them to shareholders. When Armstrong's US investments started to lose money, however, he simply invented fictitious returns, selling more notes in order to make payments to previous investors. He later relied upon his phoney record to set up a hedge fund.

What happened next?

In 1999 the FBI raided the office of Princeton International; indictments from the US Attorney's Office, as well as civil suits from the Securities and Exchange Commission (SEC) and the Commodities and Futures Trading Commission, followed. Armstrong initially argued that Republic Bank, which had custody of the account, was responsible for the money disappearing; the criminal case was delayed while he spent several years in jail for contempt of court. He finally pleaded guilty to one count of fraud and received five years.

Lessons for investors

The SEC estimates investors put up to $3bn into Armstrong's schemes, losing around a third of it, although the losses were reduced when Republic Bank agreed to settle a civil suit for $600m. Theories of market cycles, such as Fibonacci retracements, Elliott Waves and similar approaches, have their fans, but there is little empirical evidence that they can be useful in boosting returns (see page 18). A guru may be able to predict one major market move – that doesn't mean he will always be right in the future.

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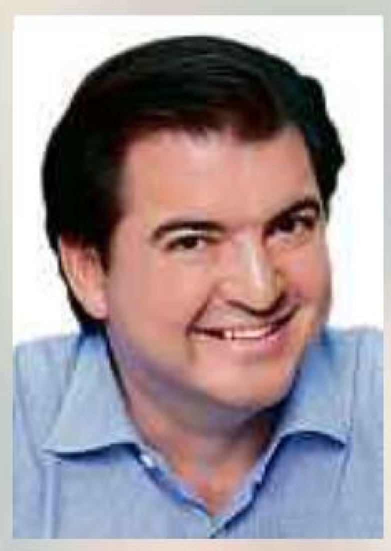

Such are the lead times involved and also the challenging logistics behind my MWWC selections I am writing these notes just before Christmas and I am conscious that I have no idea how the New Year will pan out let alone what will be happening in February when this offer is published. But in this era of the unexpected and in this climate of unpredictability, I can offer you some absolute assurances and also some gold-standard dependability. This six-bottle French collection from elite wine merchants Yapp Brothers sets the flavour bar sky-high and, as always, this is how I intend to conduct myself for the rest of the year. While the world around us is losing its head, you can rely on the terrific service and stunning selections from my chosen wine merchants. I can predict with complete confidence that these wines will definitely put a smile on your face during these challenging times.

Matthew Jukes Matthew

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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £172 (saving £12.10 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

~~£14.95~~ £13.95

2019 Quincy, Domaine des Bruniers, Loire

Weighing in at a slimline 12.7% alcohol and possessing a slender silhouette and a crystalline demeanour, this is a wonderfully proportioned Sauvignon Blanc with shimmering citrus notes, a silky-smooth mid-palate and raspily refreshing minerality on the finish. Super-fresh, lively and uplifting on the nose and palate, this is an electrifying alternative to Sancerre and Pouilly-Fumé from one of the lesser-known, but immensely chic villages in the Loire Valley.

CASE PRICE: £167.40

~~£14.95~~ £13.95

2019 Château Estanilles Blanc, Vallongue, Faugères

The vinous ménage à trois of Marsanne, Roussanne, and Vermentino is a truly fabulous thing. This is a sprightly wine with a lively demeanour and a nimble finish, but there are fleeting exotic moments here, too. Intriguing stone fruit and lemongrass details appear on the nose and palate but they never tip over into full-on tropical tones and this means that Estanilles is, thankfully, a delightfully flirtatious companion as opposed to a lascivious stalker.

CASE PRICE: £167.40

~~£23.00~~ £22.00

2018 Bourgogne Chardonnay, Bruno Colin, Burgundy, France

Bruno Colin is a famous name in Burgundy and his suite of Chassagne-Montrachets is one of the finest. A dab hand at building dramatic, upholstered Chardonnays with glorious, palate-coating flavours, this innocent-looking Blanc over-delivers to such a degree that I found myself making identical notes to those I pen about his Premier Crus! A superb main course white wine with an unmistakably grand feel, this is every inch a genuine mini-Chassagne!

CASE PRICE: £264

~~£14.95~~ £13.95

2018 Bourgeuil, Cuvée du Domaine, Joël Taluau, Loire, France

Three decades ago I found Taluau's wines piercingly aromatic and deliciously juicy. I am thrilled to see that they are even more alluring today. Super-smooth, with violet and blackberry notes on the nose and a pliant, sensual palate this is a mesmerising wine perfect for lunchtime indulgence. We ought to focus more on great Loire reds in 2021 because they offer such enormous bang for your buck. Yapp is a Loire specialist, so let them be your guide!

CASE PRICE: £167.40

~~£12.25~~ £11.25

2017 Côtes du Rhône, Trescartes, Domaine Saint Gayan

There is no doubt that Côtes du Rhône is a safe bet on an untested wine list as most are juicy, ripe and hearty. But this is not enough to impress me because I require drama, daring and recognisable talent in my recommended wines. Saint Gayan is a top-flight estate and it will come as no surprise, when you taste this wine, that it is Yapp's flagship CdR. Powerful and wild-fruited with structure and intent, this stands out from the crowd, so I urge you to load up because the value afforded here is, quite frankly, bonkers!

CASE PRICE: £135

~~£11.95~~ £10.95

2018 Minervois, Tradition, Domaine Le Cazal

This is another incredible wintry red and it parades deep, pagan, powerfully spicy fruit with a lovely sheen and great polish and a bright purple colour. Cazal Tradition is a red with real class and completeness and it is centred around a well of profound blackberry and black cherry flavours. Made from a blend of Carignan, Grenache and Syrah, it is nice to see a 'Rhône blend' which has the unsung hero Carignan, a grape of Spanish origin, leading the way and doing a very impressive job, too.

CASE PRICE: £131.40

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Should I stay or should I go?

If you go there will be trouble. But you should be safer with a holiday nearer home. Chris Carter reports

"European destinations insist that they will be open come summer. Tour operators promise that there will be flights," say Chris Haslam, James Stewart and Susan d'Arcy in The Sunday Times. "But confusion and uncertainty over self-isolation, tests, vaccinations and now quarantine hotels is discouraging all but the most determined travellers." And yet, most of us are by now yearning to get away – even if that means staying in Britain.

After all, going through the rigmarole of booking a foreign holiday only to see it cancelled again like last year will feel too much like *Groundhog Day*. And if it goes ahead and you come home to a fortnight banged up in a Travelodge, it will feel too much like *Papillon*. In Hounslow. A better plan is to star in your own *The Great Escape* and book a British summer holiday now. Yes, peak periods will be "irritatingly busy". And you might have to navigate the "latent hostility from a shrill minority of locals". But the nation's beauty spots are "there for the enjoyment of all".

The government has "made it clear that they think it is too early to be thinking about summer holidays abroad", says Nick Trend in The Daily Telegraph. On the plus side, things "would have to take a very wrong turn for the domestic tourism industry to remain closed for the whole of the summer". Rather, your biggest headache is likely to be higher demand, making accommodation "so heavily booked that decent options will be hard to find".

Then again, that will depend on where you set your sights. Booking for Easter is still "touch and go". May, and "certainly June", offer better prospects, although some restrictions will possibly still be in place, including the "rule of six". So bear that in mind if you're hoping to go away with friends or family. And choose your activities wisely. Happily, nature and the wilderness will always be open for business.


©Alamy

Glendun: a tranquil spot on the Northern Irish coast

Two havens for wildlife

"If last year was the one where people started to notice the beauty of the wildlife right on the doorstep during lockdown, this should be the one where we start to get to know some of the best wild places in our own country, rather than presuming that all that is rare and interesting can only be found abroad," says Isabel Hardman in The Spectator. Take, for example, Silverdale. "This really is a lovely Lancashire village on the sea, with so many different spots for... rare and exciting wildlife." Starling murmurations can be seen at the RSPB Leighton Moss Nature Reserve as the sun sets, and there are "the amusingly named bearded tits hopping about in the reed beds", as well as ospreys fishing. "It's a rare day when you don't see a marsh harrier swooping over the reserve and there are also otters, kingfishers and wading birds such as avocets."

"Make the most of travel restrictions by getting to know our best wild places"


©iStockphotos

When in search of tranquillity, "my first instinct is to head for the hills, somewhere like Glendun near Cushendun on the Northern Irish coast", says Kevin Rushby in The Guardian. "Essentials of peace like woods, streams, the sea, and birdsong are found in abundance on Ronan's Way, a trail created in tribute to local farmer Ronan MacAuley in this north-eastern corner of the country, 50 miles north of Belfast." There are some fine views at the top of this three-and-a-half-mile route, over the Mull of Kintyre on a good day. Your enjoyment will be accompanied by the sound of birdsong: "merlin, hen harrier and curlew if you're lucky".

Get cosy in an Eagle's nest

Twitchers of a rather different kind might prefer a stay at Windsor's Oakley Court hotel (oakleycourt.co.uk, from £250), says Maria Shollenbarger in the Financial Times. "Even casual followers of fashion will likely be familiar with the name" of Alex Eagle, the "multi-talented style arbiter". The hotel features "fine art of Eagle's selection; important 20th-century furniture; and hits of bohemia cohering in all the right ways". There are Pierre Jeanneret chairs under antique sconces, Eastern rugs rubbing shoulders with British chintz, and "gorgeous" line paintings by Tanya Ling against ornate late-Victorian panelling. "And, this being an Eagle endeavour, much of what you'll live with when in residence is quietly available for purchase."

This week: houses with ponds or lakes – from a renovated farmhouse in Cornsay, County Durham, with gardens t

▲ **St Peter House, Jersey.** A period country house with tiled floors, panelled rooms, stained-glass windows and open fireplaces. The large grounds include a pond, lake and outdoor swimming pool. 8 beds, 6 baths, 4 receps, 2 kitchens, conservatory, 4-bed house, 3-bed bungalow, 25 acres. £8.95m Christie's International Real Estate 077977-21881.

▶ **Morley Manor, Shermanbury, Horsham, West Sussex.** A Grade II-listed, 17th-century manor in large grounds with a lake. It has leaded light-windows, beamed ceilings and carved stone fireplaces, and comes with an annexe, two flats, a coach house and equestrian facilities. 3 beds, 3 baths, 14.25 acres. £6.95m Strutt & Parker 01483-306565.

▶ **Felindre House, Felindre, Carmarthenshire, Wales.** This Grade II-listed house was built in the 1500s and remodelled in 1792 by John Nash. It has beamed ceilings, open fireplaces with wood-burning stoves, a conservatory and a country kitchen with an Aga. The gardens include a large pond with an island and land adjoining a stream. 5 beds, 2 baths, 3 receps, coach house and stables, lodge, 4.7 acres. £695,000 Savills 029 2036 8915.

that include a wildlife pond, to a former Benedictine abbey in Hertfordshire overlooking its own lake

Winterfold Lodge, Barhatch Lane, Cranleigh, Surrey. This large family house was built in a traditional style 20 years ago in a quiet area of the Surrey hills. It is surrounded by gardens with a sweeping lawn that leads down to a lake and native woodlands, and has leaded-light windows, exposed wall and ceiling beams, open fireplaces and a grand hall with a double-height window and a wooden staircase. 4 beds, 3 baths, 2 receps, indoor swimming pool, 8.77 acres. £2.25m+ Knight Frank 07773-489244.

Lower Wild Boar Barn, St Michael's-On-Wyre, Preston. A renovated 1880s barn on the outskirts of a village. It retains its original beamed ceilings and has carved fireplaces and an indoor swimming pool. The gardens include a stream that feeds a fish pond. 4 beds, 4 baths, 2 receps, 2-bed flat. £1.25m Fine & Country 01995-917895.

Roundhill, Bewerley, Harrogate. A 17th century, Grade II-listed house and two stone barns on a 40-acre estate that includes gardens with a stream, lake and waterfalls in the Yorkshire Dales. The house has a country kitchen with an Aga and comes with an attached barn converted into a leisure wing with a gym and swimming pool. 6 beds, 3 baths, 3 receps, media room, music room, breakfast room, workshop, 40 acres. £1.85m Knight Frank 01423-530088.

Greenfield Farm, Cornsay, County Durham. A renovated farmhouse in an elevated position surrounded by gardens that include a wildlife pond. The house has a newly fitted kitchen, an open-plan living area and wood-burning stoves. The grounds include a dog boarding and day-care centre, and a cattery. 4 beds, 2 baths, recep, study/bed 5, summerhouse, gardens, woodland, 8.3 acres. £995,000 Finest Properties 01434-622234.

Rowney Priory, Dane End, Ware, Hertfordshire. A Grade II-listed former abbey for Benedictine nuns with extensive grounds and three adjoining apartments. It has open fireplaces and a wood-panelled galleried reception hall with French doors leading onto the gardens, which include a large lake and 13 acres of woodland. 3 beds, 2 baths, 2 receps, breakfast kitchen, wine cellar, 2-bed annexe, summer house, two 2-bed flats, one 3-bed flat, 10 acres of parkland. £3.95m Strutt & Parker 07458-127282.

A pair of English beauties

Matthew Jukes
Wine columnist

Adrian Pike has an artist's touch

©Westwell

2019 Westwell, Ortega, North Downs, Kent

£16, westwellwines.com, unchartedwines.com

I have taken to calling in vast numbers of bottles to my home because the interminable lockdowns have made wine tastings impossible. Although this is somewhat of a logistical pain, the mountains of recycling are worth it when I come across wines as beautiful as my featured pair.

Hidden in a sea of English wine samples were two of the most beautiful labels in our land, on wines made from the little-known ortega grape. Developed in 1948 by crossing Müller-Thurgau and siegerrebe, this white variety has spread from its homeland in the Pfalz and Mosel regions of Germany to other cool-climate winegrowing countries, such as England and Canada. It is not as starry a variety as chardonnay, or even bacchus for that matter, but I adore top-flight versions of this grape and Westwell is a master at bringing out its incandescent beauty.

With delicate peachy notes, hints of mandarin peel and rhubarb stalks, this is a bone-dry and yet all-consuming wine with bracing acidity and stunning poise. Owner/winemaker Adrian Pike learned his craft from Will Davenport (a favourite winemaker of mine) and he has an artist's touch with this grape.

In addition to my headline stunner, Adrian's 2019 Westwell Ortega Amphora (£25) is fermented and aged in terracotta amphorae made by the Artenova pottery in Florence. There is heady fruit here coupled with raucous traction on the palate and this raspy, faintly masochistic sensation is nothing short of electrifying. Seek these wines out because they are like nothing you will have ever tasted before.

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

Five ways to improve your home gym

Including a gadget to purify the air and one to give you a massage. Alice Feilden reports

The **Lumen** is a portable hand-held device to "hack your metabolism". You blow into the gadget and its carbon dioxide sensors determine whether your body is using fats or carbohydrates as a source of energy. Knowing that can help you decide what and when to eat to burn fat and enhance your workouts. The device links to an app to track daily metabolic activity and its effects on sleep, exercise and nutrition. *£299, lumen.me.*

Work out with a clean conscience using the **42 Birds Cork Yoga Mat**. It is made from at least 50% recycled materials and is free of PVC, plasticisers and latex. The sustainable cork is non-slip, with natural antimicrobial properties that resist mould, mildew and bad smells. With a 5mm thickness, the mat is comfortable and can easily be rolled up and transported. It is also 100% recyclable. *£52, freepeople.com.*

Cleanse the air in your home with the **Philips Air Purifier Series 3000i**. The device has a three-layer filter to remove airborne allergens and pollution trapped indoors. The Smart Air scans the air 1,000 times per second to detect impurities, and the 360˚ airflow enables fast cleaning in large spaces. The digital display reveals your indoor air-quality levels and can be dimmed in sleep mode. *£450, philips.co.uk.*

Release stress and tension with the **Theragun PRO** deep muscle treatment. The massaging device is powerful and quiet, with four arm positions designed to reach all areas of the body without straining hands, wrists and arms. Theragun also provides a wellness app, which integrates with Apple Health and Google Fit to suggest guided routines that can be sent to your device via Bluetooth. *£549, theragun.com.*

Best-selling diffuser company **Vitruvi** has teamed up with **Goop**, Gwyneth Paltrow's wellness brand, to deliver this elegant **Stone Diffuser**. With a matte ceramic finish, it makes for a classy bit of decor while gently scenting your room with an essential oil of your choice. You can set the diffuser going for a continuous three hours, or intermittently for seven and a half hours. *£90, goop.com.*

The world's most famous coin

The New York-style Brasher just set a new record at auction. Chris Carter reports

The gold price may have lost some of its shine this year, but the same cannot be said for one gold coin in particular. Last month, a rare 1787 "New York-style Brasher" doubloon set a new record price for a gold coin when it sold for almost $9.4m with Texas-based Heritage Auctions. Another of the seven known to exist had held the record since December 2011 when it fetched $7.4m at auction, but the latest coin is said to be the finest of the lot. While the 1794 "Flowing Hair" silver dollar retains the overall record (it sold for $10m in 2013), the New York-style Brasher is nevertheless revered by collectors. It has even had a film-noir thriller named after it: *The Brasher Doubloon* from 1947, starring George Montgomery and Nancy Guild, and based on *The High Window* by Raymond Chandler.

Ephraim Brasher, after whom the doubloon is named, was a late 18th-century silversmith who had served in the Revolutionary War, and lived in New York at a time when the city was briefly the capital of the fledgling United States. George Washington was his next-door neighbour. As an expert in precious metal work, Brasher was later called on by the new US Mint to assay the purity and weight of the many foreign coins then in circulation, and which tended to be reserved for large purchases. (Coppers are what you would have used for trifling expenses. And if you did have trouble remembering what your British guineas where worth compared with your Spanish doblons (from where we get the name "doubloon"), the Bank of North America printed a guide setting out the various values in 1789.) On occasion, these bullion coins would need to be topped up with a little more silver or gold if they had been debased on their journeys around the world. When Brasher was happy, he stamped his initials "EB" on the coins, which became a hallmark of quality.

> *"The coin set a new record price for a gold coin at $9.4m"*

Brasher also made his own coins (of which the New York-style doubloons are the most famous). He had to. The US Mint didn't get going until 1792, so it was to Brasher that the young republic turned. His 1786 "Lima-style" doubloons were the first gold coins to be produced in the US, providing a model for the New York-style coins that followed. As such, in addition to his initials, the coin that was auctioned last month also bears his surname, Brasher, beneath the sun rising over a mountain on the obverse side. Flip it over and the American eagle of the Great Seal of the United States proudly displays its shield, olive branch and arrows. It is, as Heritage Auctions says, "the world's most famous coin".

©Heritage Auctions

Auctions

Going...

The Royal Mint is out to break the £1m record for a British coin next month when it auctions a rare Henry VII fine gold sovereign (pictured), says The Daily Telegraph. It is the earliest gold sovereign a collector can own of which only four exist. Two are held by museums. The coin was hammered around 500 years ago, before being kept in the Tower of London. It has had numerous owners over the centuries, one of whom was US banking magnate J. P. Morgan, who owned the coin until his death in 1913. Bidding will start at £950,000, representing roughly how much it cost the Mint to source and buy the coin from its last American owner. The current £1m record was set last January with a gold sovereign of Edward VIII from 1936, the year he was crowned.

©Royal Mint

Gone...

Two English gold coins made headlines last month. The first is a gold penny featuring Henry III, from around 1257, and one of seven still in existence, says This Is Money. It is thought to bear the first "true" portrait of an English king on a coin and dates from a period when gold "was beginning to trickle back into European commerce after a dearth of nearly 500 years", according to Texas-based Heritage Auctions. It sold for $720,000. (A 2019 Elizabeth II gold coin, weighing 2kg, also sold at the same auction, for $360,000.) The second coin is dated 1656 and depicts Lord Protector Oliver Cromwell, says BBC News. The "extremely fine and rare" gold 50 shilling piece, one of 12 still in existence, sold with London-based Dix Noonan Webb for £471,200, a record for a Cromwellian coin.

Blunders add value

Debasing US money (see left) quite literally chipped away at the value of these coins. It was illegal then as it is now (except for when the central bank does it). Errors made at the time of manufacturing, on the other hand, can often add major value for collectors. Just ask the bidder who paid nearly $400,000 for a $20 banknote, also with Heritage Auctions, last month.

In 2004, a student in Ohio received the note from a cash machine and was surprised to see it had a "Del Monte Ecuador" fruit sticker "in it". Modern US banknotes are printed in three stages, the auction house explains. The first prints the back, the second provides the face devices and the third adds the seals and serial numbers. At some point before the final printing at the Fort Worth Western Currency Facility in Texas, the offending fruit sticker found its way on and the rest of the note was printed over it. A student and his money are soon parted and he sold it on auction site eBay for $10,000. When it appeared for auction just two years later, it sold for $25,300.

Mistakes do happen. Last month, sci-fi fans spotted errors on new £2 coins marking 75 years since the death of author H. G. Wells, which featured a "monstrous tripod" from *The War of the Worlds* with four legs. Embarrassing for the Royal Mint, but great for coin collectors.

Is "influencing" a proper job?

The question joins "is a Scotch egg a meal" in the canon of Covid-19-related philosophical conundrums

Sheikh Mohammed has created a "Singapore in the sand"

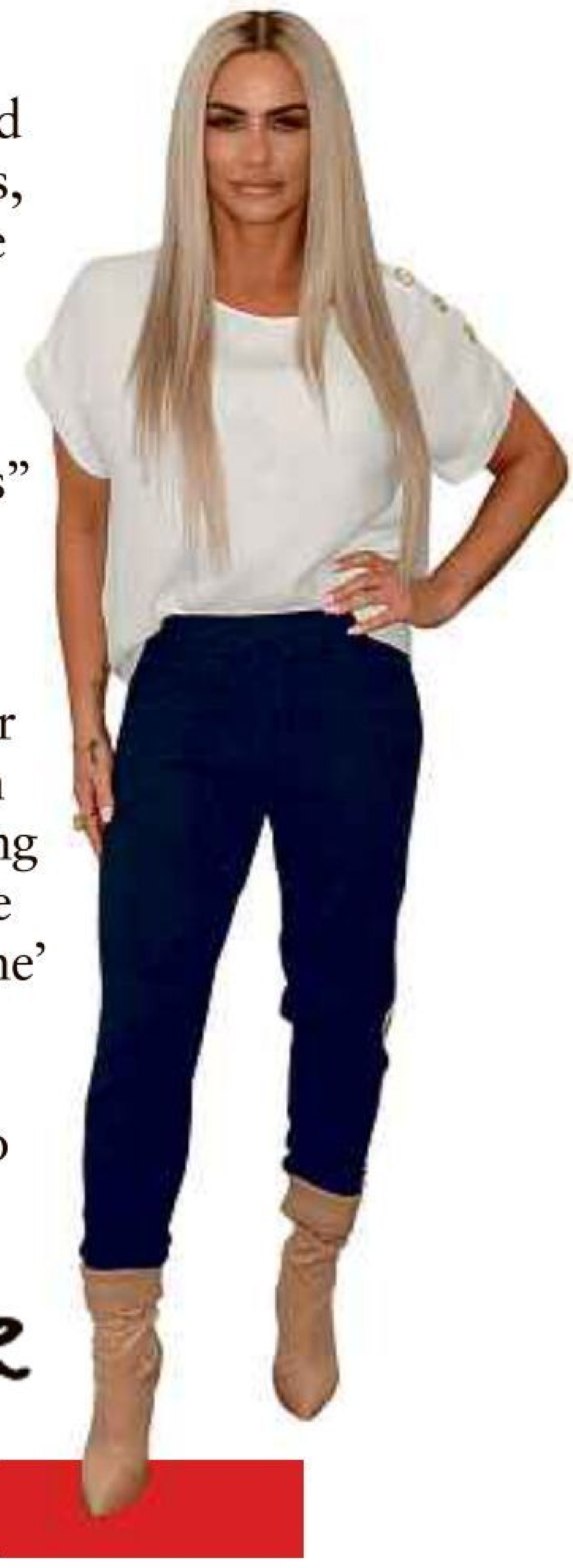
Katie Price has "taken aim" at "influencers" who flout lockdown rules to travel to Dubai to take glamorous pictures of themselves in order to promote various products, says Alicia Adejobi in Metro. They're not even real celebrities, she says – a bit rich coming from someone who is famous for being famous. Still, Price (pictured below right) is not the only one who is annoyed. Home secretary Priti Patel, for one, has been distinctly unimpressed by the range of social-media stars finding ways to get around grey areas in travel restrictions. For their part, the influencers claim they are just doing their job. That job may be one where they can earn as much as £50,000 for posting sponsored photos in beach locations. But as former *Love Island* star Laura Anderson says, "This is what I do for a job at the minute… it's not that great when you see the reality of it".

"Even moderately famous influencers have been able to earn from around £400 to as much as £20,000 for a single Instagram post"

A soft spot for rule-breakers

Perhaps not. I for one would need a bigger cheque to draw me to Dubai to flaunt my swimwear. But influencers' apparent disregard for lockdown rules may end up hitting them where it hurts – their wallets, says Anna Hart in The Daily Telegraph. Until now, even moderately famous influencers have been able to earn from around £400 to as much as £20,000 for a single Instagram post, with those in the top tier commanding fees of around £940,000. But even before the latest backlash, the good times seemed to be nearing an end. Now only the most "relevant, relatable, responsible and entertaining" are able to survive, and many of those involved in the latest scandal are losing followers as fans "vote with their clicks". Meanwhile, Dubai's ruler, Sheikh Mohammed bin Rashid Al Maktoum, "is probably enjoying the publicity", says John Arlidge in The Sunday Times. He has gone out of his way to create a "pirate entrepôt" where "all are welcome as long as they help to create wealth". The more people who know about his "Singapore in the sand", the "more his family business will grow".

Just don't be too hard on the influencers, says Marina Hyde in The Guardian. It's not as if anyone was labouring under the delusion that they were a "troupe of Mahatma Gandhis". And with little new comedy on TV, these "globetrotting workaholics" are "performing a public service": just as ordinary people always had a "soft spot" for "spivs and rule-breakers" during the wars, our "scattered influencers" are helping "bring the nation together" in a kind of "good luck to them" spirit. Those "reaching for the smelling salts" can take comfort from the fact that upon their return the influencers will no doubt end up in quarantine in a "two-star near Heathrow… This is when they will graduate from opening posts with 'A lot of people have asked about my skincare regime' to 'A lot of people have asked how you fill this mini kettle in this mini basin, and I'm here to tell you it's impossible'."



Quintus Slide

Tabloid money… a mug for mugs

● **"Sorry, but I just cannot get behind the idea of having a designer travel mug," says Karren Brady in The Sun on Sunday. "Especially when said mug is made by Versace and costs £765!" The Italian fashion house's aluminium "keep cup" is covered with "crystal bling". It bears the face of Medusa, the Gorgon from Greek mythology, who could turn people to stone with a shake of her hair made of snakes. The name "Versace" is written in caps on the top, while the bottom is adorned with Greca borders, long associated with the brand. Supermodel Kate Moss (pictured) recently carried one on the cover of Vogue. Indeed, fashionistas at the style magazine have branded the cup the new "it bag". "But the huge price tag for a reusable cup has failed to win us over. Surely only a mug would buy this?"**

● Buying British is the next step to making Britain a success after Brexit, says Frederick Forsyth in the Daily Express. But a "gigantic quantity of cheap goods" still floods in from China. China is behaving "evilly" towards the Uighurs and Hong Kong and yet we still buy hundreds of billions of Chinese goods. Instead, we should "buy British first, and foreign if need be". We should put work back into British hands. Start with the car industry. In Germany 90% of cars are German, in France 85% French. Here under 50% are British. "Yet our foreign car import bill costs us many billions. We make excellent cars here and could start our economic recovery by ensuring that only very special cars are Europe-made." "Buying British should be a mark of pride."

● The prime minister's father, Stanley Johnson, has denounced the government's decision not to block the construction of Woodhouse Colliery, Britain's first new deep coal mine in over 30 years, says Dominic Lawson in the Daily Mail. It would, he says, encourage other countries to renege on their climate commitments. But this new coal mine is not for use in power stations. It will produce coking coal for "indispensable" use in the blast furnaces of what remains of the British steel industry. The prime minister's aim of turning Britain into the "Saudi Arabia of wind power" will cost a "stupefying" £160bn a year over the next 30 years. Vast numbers of wind turbines will be needed. What do they need? "Yes, steel."

Bridge by Andrew Robson

On safety plays

Experts have differing views about whether to take safety plays marginally to enhance the chances of their contract making at the very probable cost of an overtrick."If it'll cost an overtrick (worth one imp) 95% of the time, and make my otherwise failing game (worth about 11 imps) only 5% of time, I'm going to take the risk," goes the mathematically sound argument. "Yes, but psychologically, the overtrick is far less important (less than one eleventh) than the contract," comes the retort. I'm probably in the former camp.

Dealer South — Both-sides vulnerable

North:
♠ J874
♥ KQJ
♦ J5
♣ K762

West:
♠ K3
♥ 10
♦ Q982
♣ Q109543

N
W E
S

East:
♠ 65
♥ 9876542
♦ K764
♣ –

South:
♠ AQ1092
♥ A3
♦ A103
♣ AJ8

The bidding

South	West	North	East
1♠	pass	3♠	pass
4♣*	pass	4♠**	pass
pass	pass		

* Naturalish slam try.
** No interest in higher places.

The French South player showed great restraint in stopping at the Four-Level. Incredibly, even this contract proved too high, when declarer failed to take adequate precautions for bad breaks. West led his singleton Heart and declarer won in dummy and ran the eight of trumps.

Ninety-eight times out of 100, declarer would wind up making 11 or 12 tricks, depending on the location of the King of trumps (losing only a Diamond outside trumps, his third Club going on dummy's third Heart).

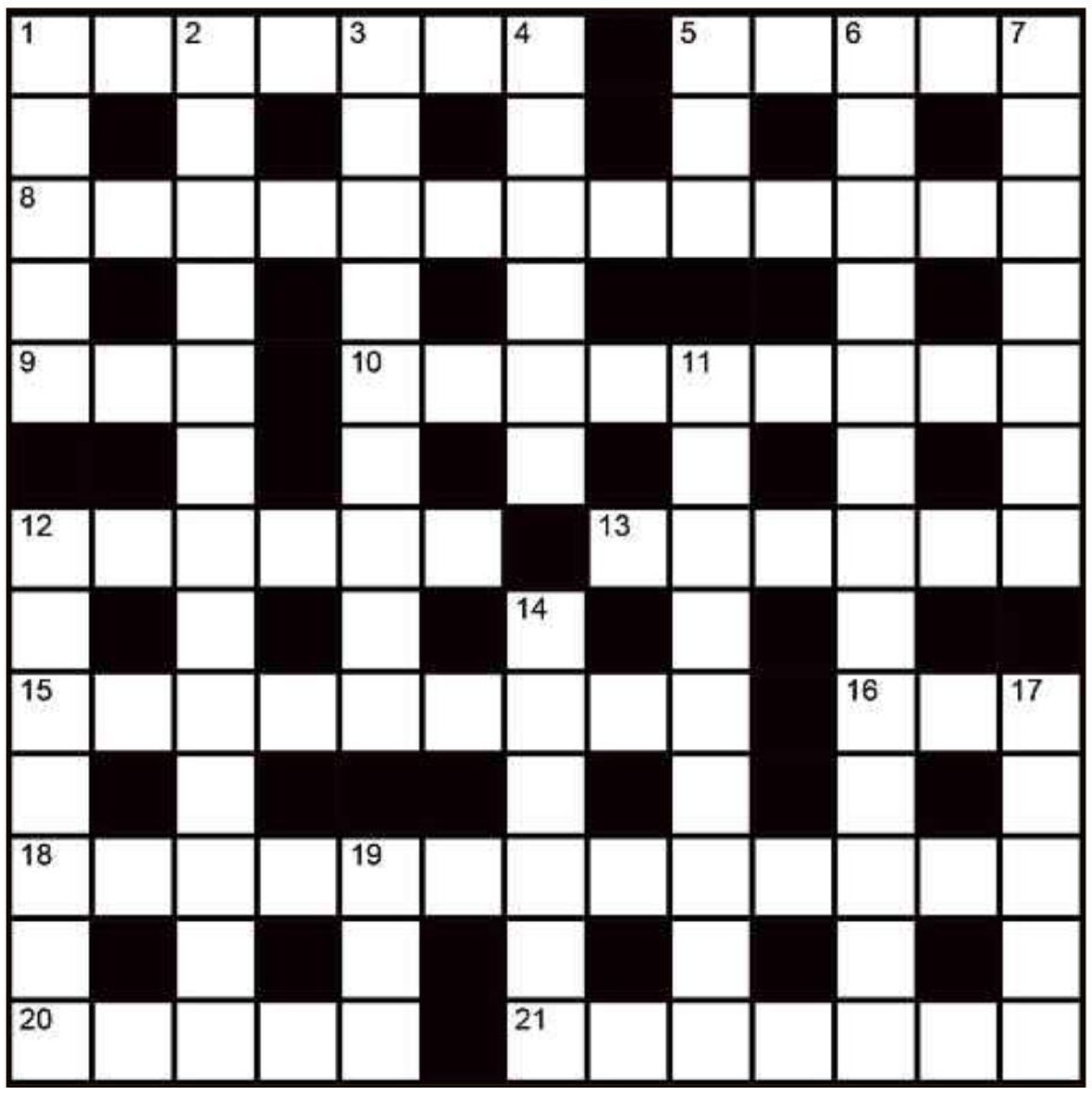
West won the King of trumps and switched a Club. East ruffed and led a second Heart, West ruffing. With an unavoidable Diamond trick to come, that was one down.

Would you have played Ace and another trump, giving up an overtrick to guard against this highly unlikely distributional storm? No – neither would I.

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

Tim Moorey's Quick Crossword No. 1038

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 22 Feb 2021. Answers to MoneyWeek's Quick Crossword No. 1038, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic whereas down clues are straightforward

ACROSS
1 What a painter might do with second drink? (7)
5 Some thankless low-down joint (5)
8 Oriental group flying may be seen here (7, 6)
9 Those in favour losing their head? Absolutely! (3)
10 Watch US magazine article (9)
12 Drug for Goldsmith (6)
13 Acts of deference heard in branches (6)
15 Policeman, poet and chemist (9)
16 Right alongside the old port (3)
18 Furniture manufacturers from Salisbury, Aberdeen and Liverpool? (13)
20 Rickety table leading to complaint (5)
21 Men rose up for US writer (7)

DOWN
1 Frightening (5)
2 Reckless (13)
3 Lying face down (9)
4 Put in a grave (6)
5 Trouble (3)
6 Schools for very young children (13)
7 Soccer or cricket teams (7)
11 Bring into being (9)
12 Small foot-operated vehicle (7)
14 African bloodsucking fly (6)
17 Industrial German city (5)
19 After tax (3)

Name ....

Address ....

....

Solutions to 1036

Across 1 Copper *c(h)opper* **4** Desert *two definitions* **9** Nankeen *nan keen* **10** Avert *ave + rt* **11** Awash *was in a H* **12** Austere *anagram* **13** Chamber pots *anagram* **18** All gone *anagram* **20** Three *3Rs* **22** Inane *in an E* **23** Tallies *t allies* **24** Sultan *sultan(a)* **25** Earner *(l)earner* **Down 1** Can-can *can can* **2** Panda *P and A* **3** Evesham *Eves ham* **5** Evans *e vans* **6** Everest *(s)everest* **7** Titfer *anagram* **8** Engagements *misleading definitions* **14** Holdall *old in hall* **15** Patella *Pat Ella* 16 Radios *r + adios* **17** Teaser *hidden* **19** Omega *O + mega* **21** Reign *homophone rain.*

The winner of MoneyWeek Quick Crossword No. 1036 is: Rachel Fraser-James of Edinburgh.

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

Sudoku 1038

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

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

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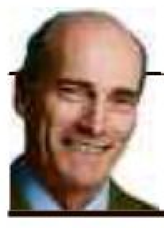
A drama plays out on Wall St

The little guy won, but the story didn't end there



Bill Bonner
Columnist

Why all the fuss about a failing business?

©Getty Images

Last week, the Reddit crew seemed to open a whole new chapter in financial history. Suddenly, using the internet, a flash mob of "little guy" investors was able to humble the big, rich hedge funds. The hedgies had sold some 140% of GameStop shares outstanding. Some people wondered how that was possible. Others wondered why it was legal, or how the young traders – led by Reddit users Roaring Kitty or DeepF**kingValue – could possibly execute an "infinity squeeze" against the pros.

Even the "infinity squeeze" itself is an object of wonder. In it, buyers drive the price up so high that little is left available for the next buyer (say, a short-seller who needs to cover his bet), who must pay an infinitely higher price. We didn't know how it would turn out in practice, but anyone could guess how it would go in theory.

Once the shorts had all retreated, licking their wounded egos and counting their billions in losses, the longs would be masters of the field. But then what? They would be holding shares in a company, bought at an average price far above what they are really worth – perhaps hundreds of times more than they are worth. These buyers had sworn never to sell. And perhaps, in a spirit of solidarity or insanity, they would stall before hitting the bid. But all is fair in love, war and squeeze plays. The smartest of them edged towards the exit at the end of last month, selling a stock then worth more than $400. A crowd rushed the open door, trampling many and bringing the price down days later to $90. In a few weeks, it ought to be back to where it began, around $15. By this time next year, it might be closer to zero. For a while the Fed can perform miracles of levitation on Wall Street, but it leaves Main Street flat on the ground. And GameStop, a bricks-and-mortar retailer of video games now readily available online, seems likely to go bust.

"The Fed performs miracles of levitation, leaving Main Street prone"

So what was that all about, we wonder? All the sturm and drang? All the huffing and puffing on the part of bystanders? Everybody seemed to get worked up about it. The shorts thought they were doing God's work – helping Mr Market find the appropriate price for GameStop's shares. The longs all wore white, too, confident that they were on a crusade to stop the rich taking over the world.

The story pitted the little guys against the big guys. The little guys won… until they lost. Then, the media dropped the story. The only lesson for us from the whole saga is that the Fed's bubble must be getting ready to pop (the madness of the gaming crowd is reaching a fever pitch)… and that hatred towards "the rich" is running high. Where will it all end? We wonder. But wondering risks turning one's attention from the main drama. It is like a sidewalk clown who swallows a mouse so you won't notice the bank robbery across the street.

The bottom line

£508m The decline in whisky sales to the US since a 25% tariff was imposed on the spirit in October 2019, the Scotch Whisky Association estimates. The US, usually the largest overseas market for whisky, imposed the tariff as part of a trade dispute with the European Union.

258 The percentage rise in the sale of American gold bullion coins last year, according to the US Mint. Demand for silver coins rose 28% during that time. The Mint admitted it had been unable to keep up with demand.

210,000 The number of "Kew Gardens" 50p pieces in circulation, making the coins, minted in 2009, the rarest of the 50p designs, says the Royal Mint. The 50th anniversary of decimalisation is on 15 February – the changeover is credited with having inspired many people to become coin collectors over the years.

£450 How much people would have to pay in annual subscriptions to commercial rivals to get the same quality of television, radio and news as that produced by the BBC – at least, according to the broadcaster's own calculations. The licence fee currently costs £157.50 a year.

$16.6trn The value of China's domestic bond market, second in size only to America's. The past three years combined have seen a record number of delinquencies, including almost $30bn in 2020, says Bloomberg.

©Getty Images

$100m How much Jared Isaacman, "a jet pilot and corporate founder with a $2bn fortune", is seeking to raise for charity from a $1-a-ticket raffle, says The Times. The prize is a seat on the first all-civilian space mission. Isaacman (pictured) has already donated $100m "in honour of the mission", which he will lead and bankroll. He has "no formal training as an astronaut".

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Sustainability Rating:

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