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FINANCIAL TIMES

Friday April 1 2011

UK £2.00; Channel Islands £2.30; Republic of Ireland €2.50

Shadow banking

China's informal lenders. Analysis, Page 9

It is time to make more use of the IMF's money

Joseph Stiglitz, Page 11

World Business Newspaper

TOMORROW IN FT WEEKEND

How To Spend It
Fashion's flamenco flourish, villas take off in Marrakech and China's thirst for Château Lafite

Stress test results revealed ● Bail-out cost to hit €70bn ● Radical sector shake-up

Irish banks need extra €24bn

By John Murray Brown in Dublin and Sharlene Goff in London

Ireland's stricken banking sector will require €24bn in additional capital, pushing the total cost of the government's rescue to about €70bn (£62bn).

As the results of stress tests on the country's banks were revealed, the government announced a radical shake-up of the industry aimed at restoring investor confidence in Ireland's banking sector, which remains dependent on the European Central Bank for liquidity.

Allied Irish Banks, which had previously been told to raise an additional €5.3bn, must now raise €13.3bn. Bank of Ireland must raise €5.2bn, Irish Life & Permanent €4bn and Educational Building Society €1.5bn.

Michael Noonan, the finance minister, told parliament the government planned to create "two new strong universal pillar banks" centred around a much-reduced Bank of Ireland and a new entity comprising Allied Irish Banks and the Educational Building Society.

"The banking system must be the enabler of economic recovery, by restoring public and market confidence in its financial health, management competence and ethical integrity," Mr Noonan said, adding that the plan would "put the banking system on a firm footing for the future and break the bonds with our toxic banking past".

This will be Ireland's fifth attempt to draw a line under the banking crisis, which has so far cost the state €46bn, and is likely to bring the country's entire banking sector under government control.

It also means the Irish government will require more than originally envisaged of the €35bn earmarked for banks under the €85bn bail-out agreed last November with the European Union and International Monetary Fund.

The new capital targets follow a detailed examination of individual banks to establish the level of loan losses in a scenario where house and commercial property prices continue to fall and economic growth remains sluggish. "The scenarios and modelling used are not intended to provide forecasts of what will happen," Patrick Honoham, central bank governor, said. The plan, he added, was to "seek to ensure that the banks, their customers and the nation in general get out of this situation with much less cost, distress and dislocation".

In bitter exchanges in parliament, Mr Noonan attacked the previous Fianna Fáil-led government's record in managing the banking meltdown.

"The previous government failed to act. They ducked and dived and procrastinated as they lurched from one crisis to the next. They went through periods of denial and periods of self-justification. They paved the road to disaster with good intentions."

Brian Lenihan, Mr Noonan's Fianna Fáil counterpart and his predecessor as finance minister, said he was concerned the stress test exercise was based on such pessimistic assumptions, arguing they would make it difficult for banks to attract private investment.

Also on Thursday night, the European Central Bank threw Ireland another lifeline by suspending the minimum credit rating needed on Irish government-backed assets used as collateral to obtain liquidity.

The move should reduce Irish banks' reliance on emergency help from the national central bank.

Additional reporting by Ralph Atkins in Frankfurt

'The banking system must be the enabler of economic recovery, by restoring public and market confidence'

Michael Noonan
Irish finance minister

Lex, Page 14
Final line in the sand, Page 17
www.ft.com/banks

Irish banks' new capital requirements

Source: Central Bank of Ireland

Grain price surges on lower than expected US stocks

By Gregory Meyer in New York

Prices of farm commodities soared on Thursday after the US government revealed that inventories of corn and soyabeans were lower than had been believed, adding to inflationary pressures around the world.

The surge in grain prices has become a headache for policymakers, particularly in developing countries, forcing some central bankers to tighten monetary policy.

The US Department of Agriculture said that the highest prices in two and a half years were prompting farmers in the US, the world's largest exporter of agricultural commodities, to plan big increases in plantings.

However, the extra acreage is unlikely to be enough to rebuild stocks to comfortable levels.

Joseph Glauber, USDA chief economist, said a record reduction in corn stocks suggested demand was barely reacting to price pressures.

According to the USDA, in the year to March 1, corn stocks fell 15 per cent to 6.52bn bushels.

Over the past 12 months, corn prices have doubled while soyabean prices have gained 50 per cent.

In particular, demand has surged for fattening livestock in developing countries, such as China, and for corn-based ethanol in the US.

"Ethanol production is quite strong despite the high corn prices. You're seeing exports continuing to be quite strong, and feed use," Mr Glauber told the Financial Times.

Thursday's reports suggested that supplies would drop further, pushing prices higher.

Hussein Allidina, at Morgan Stanley, said the USDA report was more "fodder for the bulls".

In Chicago, corn futures rose by the exchange-imposed daily trading limit of 30 cents to \$6.93¼ a bushel.

US corn stocks to fall, Page 30
Video at: www.ft.com/usfarmers

News Briefing

Commission to outline aims for banking sector
The Independent Commission on Banking is to recommend the creation of separately capitalised UK retail banking operations, ring-fenced within big bank holding companies, according to people familiar with the process. **Page 3**

Odeon chain for sale
Guy Hands, who runs private equity firm Terra Firma, is putting the Odeon & UCI cinema chain up for sale with a £700m-£1bn price tag.
Page 15; Lombard, Page 16

Fears on new tax rules
Tax experts have warned that legitimate transactions could be caught up in the government's crackdown on tax avoidance despite revised rules published in the finance bill. **Page 2**

Nuclear sell-off stalls
Plans to sell Britain's stake in nuclear fuel manufacturer Urenco to raise £1bn for a green investment bank have stalled, the Financial Times has learnt. **Page 4; Stabilising Japan's power station, Page 8**

Vodafone buy-out plan
Vodafone is to pay \$5bn (£4.4bn) to buy the Essar conglomerate out of the UK mobile phone group's Indian business. **Page 15**

G20 monetary tensions
Tensions between countries representing the world's largest currencies remained high after a seminar of G20 leaders and finance chiefs in China.
Page 8; Comment, Page 11

EU eyes China imports
Europe is preparing a new front in its trade battle with China after states backed a proposal to slap anti-subsidy duties on imports. **Page 7**

Russian power struggle
A Kremlin demand that ministers resign from the boards of Russia's biggest state companies appears to be a sign of a pre-election power struggle between the president's and prime minister's camps. **Page 7**

Kuwait cabinet resigns
Kuwait's entire government has resigned over a dispute with the country's parliament.
Page 6; www.ft.com/arabprotests

Google faces new claim
Microsoft has filed a formal complaint with European competition regulators over Google's dominance of the internet search market.
Page 15; www.ft.com/techhub

Ivory Coast battle

The battle for Ivory Coast's presidency reached a critical phase as forces allied to Alassane Ouattara, president-elect, advanced into Abidjan, the commercial capital, after a lightning offensive from the north designed to oust incumbent Laurent Gbagbo. Mr Gbagbo, who refuses to concede defeat in last November's polls, looked increasingly isolated.

Report, Page 6

Sokol defends buying shares before recommending takeover to Buffett

Ex-Berkshire executive says his case not unique

By Jeremy Lemer in New York and Dan McCrum in San Francisco

David Sokol, who unexpectedly resigned from Berkshire Hathaway this week, defended his decision to purchase stock in a company before recommending it to Warren Buffett, saying another key lieutenant had done the same thing.

Mr Sokol traded shares in Lubrizol, a speciality chemicals maker, before he suggested that Berkshire buy it. Berkshire eventually acquired Lubrizol for \$9bn (£5.6bn) in March.

Mr Sokol, former chairman of several Berkshire subsidiaries, said he did not know whether Mr Buffett would follow his advice and added that he had no control over Berkshire's investment decisions. Speaking on CNBC on Thursday, Mr Sokol insisted he had not been party to any inside information when buying the Lubrizol shares. "I didn't know anything that others didn't know," he said.

Mr Sokol argued that he had done nothing wrong or unethical but did say that "knowing today what I know, what I would have done differently is not bring the deal to Warren".

According to Mr Sokol, at least one other Berkshire executive also owned stock in a company that was recommended to and purchased by Berkshire. He said Charlie Munger, Mr Buffett's vice-chairman, owned 3 per cent of BYD, a Chinese battery maker, before Berkshire bought a stake in 2008.

The Securities and Exchange Commission is investigating Mr Sokol's trading, according to a person familiar with the matter.

The SEC declined to comment.

Mr Sokol, who could not be reached for comment on Thursday, said on CNBC that the SEC had not contacted him. Berkshire declined to comment.

Some investors expressed concerns about Mr Sokol's actions. "Any time you buy stock in a company which your employer then buys [it] just does not smell right," said Vitaliy Katesnelson, chief investment officer of Investment Management Associates.

Berkshire A shares closed the day 2.2 per cent lower at \$125,300 on Thursday.

Lex, Page 14
Berkshire shares hit, Page 20
Financials lead retreat, Page 32
Video: www.ft.com/sokol

World Markets

STOCK MARKETS

	Mar 31	prev	%chg
S&P 500	1325.83	1328.26	-0.18
Nasdaq Comp	2781.07	2776.79	+0.15
Dow Jones Ind	12319.73	12350.61	-0.25
FTSEurofirst 300	1124.88	1134.63	-0.86
Euro Stoxx 50	2910.91	2936.44	-0.87
FTSE 100	5908.76	5948.3	-0.66
FTSE All-Share UK	3067.73	3088.86	-0.68
CAC 40	3989.18	4024.44	-0.88
Xetra Dax	7041.31	7057.15	-0.22
Nikkei	9755.1	9708.79	+0.48
Hang Seng	23527.52	23451.43	+0.32
FTSE All World $	226.41	226.24	+0.08

CURRENCIES

	Mar 31	prev		Mar 31	prev
$ per €	1.419	1.409	€ per $	0.705	0.709
$ per £	1.603	1.606	£ per $	0.624	0.623
£ per €	0.885	0.878	€ per £	1.130	1.139
¥ per $	82.9	83.1	¥ per €	117.6	117.1
¥ per £	132.9	133.4	£ index	79.0	79.5
$ index	78.4	78.6	€ index	97.64	97.14
SFr per €	1.298	1.301	SFr per £	1.467	1.482

COMMODITIES

	Mar 31	prev	chg
Oil WTI $ May	106.72	104.27	2.45
Oil Brent $ May	117.36	115.13	2.23
Gold $	1,423.88	1,416.45	7.43

INTEREST RATES

	price	yield	chg
US Gov 10 yr	101.45	3.45	-0.01
UK Gov 10 yr	100.47	3.69	0.02
Ger Gov 10 yr	92.90	3.37	0.03
Jpn Gov 10 yr	100.42	1.25	0.01
US Gov 30 yr	103.92	4.51	-0.01
Ger Gov 2 yr	99.44	1.80	0.03
	Mar 31	prev	chg
Fed Funds Eff	0.13	0.13	-
US 3m Bills	0.10	0.10	0.01
Euro Libor 3m	1.18	1.18	0.01
UK 3m	0.72	0.72	-

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Inside tomorrow's FT Weekend

FT Weekend Magazine

Fifty years ago, the first human went into space. Since then, citizens from 38 nations have followed. We interview 35 spacemen and women from across the globe

Meet the Mongolian astronaut who changed his name to 'Space'; the Japanese who held a sushi party in orbit; and Jim Lovell, the commander of Apollo 13

'You look back at Earth and ... you realise how insignificant we really all are'

Jim Lovell
Commander of Apollo 13

Life & Arts

Sex, drugs and very expensive gravadlax - Pink Floyd legend **Roger Waters** has Lunch with the FT

Fit for a princess? Lucy Kellaway tests the London hotel where Kate Middleton is expected to stay on the eve of her big day

House & Home

Interiors supplement including David Tang on the philosophy of colour

Exclusive The world's first vineyard index

Money

It's not too late to save The last-minute tax-planning you can do this weekend

Pensions Read our complete guide to the rules coming in next week

Finance bill changes fail to appease tax experts

Anti-avoidance rules attacked

Crackdown may hit deferred bonuses

By Vanessa Houlder

Tax experts have warned that legitimate transactions could be caught up in the government's crackdown on tax avoidance despite revised rules published in the finance bill on Thursday.

The rules on "disguised remuneration" focus on arrangements intended to disguise payments to staff or avoid restrictions on pensions tax relief, such as employee benefit trusts and unapproved pension schemes. They ensure tax is charged when a reward or loan is provided by a third party in connection with employment. The clampdown is expected to raise about £750m a year.

The government has amended the legislation following an outcry among employers and tax specialists after the first draft was published in December.

However, advisers said deferred bonuses paid by the financial sector might still be caught by the rules.

Carol Dempsey, reward partner at PwC, the professional services group, said the wording of the legislation was "incredibly subjective", with bonus plans only escaping the rules if there was a "reasonable chance" they would not pay out.

The financial services industry was likely to lobby for the rules to be amended unless it was clear that "reasonable chance" would be interpreted very widely, she said.

Jayne Vaughan, a partner at KPMG, the professional services firm, said Revenue & Customs could be inundated by employers wanting clarifications about the rules, which are due to come into force on Wednesday. "There is so much for employers to take in and such a lack of clarity. There is a lot of subjectivity with no clarity about what is caught or not caught."

Philip Davis, employment tax partner at Ernst & Young, the professional services group, said the legislation was "overly complex and lengthy" and had the potential to capture many unintended situations. "It is hard to see how this aligns with the government's tax policy principles, which require simplicity and predictability," he said.

Tax experts welcomed the exemptions and other modifications introduced since December. But Mr Davis said the amended legislation still fell wide of the mark.

"Rather than targeting what the government wants to deter, the rules still apply widely but with a longer list of exclusions," he said.

"Whilst the government should be commended for allowing such a long period of consultation, this final draft is likely to be a disappointment to many UK businesses. Many will hope that parliament will now reflect and make further changes."

The government said the bill was the first to reflect its approach to tax policy-making, which set out to restore the system's reputation for predictability. It had also tried to improve scrutiny, by publishing draft legislation for 50 out of 91 of the bill's clauses.

Single tourism body to promote London

A souvenir stall caters to London's tourists in front of the statue of Boudicca by Westminster Bridge Eyevine

Capital assets

14m
Overseas visitors to London each year

£8.32bn
Total spending by overseas visitors to the capital

£2bn
International students' contribution to London

14.3m
Visitors to London theatres

100,000
Number of hotel rooms in London by 2012

>300
Number of languages spoken in the capital

Source: London & Partners

By Bob Sherwood, London & South-East Correspondent

A single agency will promote tourism, investment and studying in London in the run-up to next year's Olympic Games – but with 20 per cent less cash to spend than the three bodies it replaces.

The advent of London & Partners, to be launched today by Boris Johnson, London mayor, is expected to calm concerns about the axing of funding for Visit London, the tourism agency; Think London, the inward investment body; and Study London, which attracts foreign students.

Many in the tourism industry were alarmed after it seemed London would be left without promotional bodies after the government's decision to scrap regional development agencies, which left no funding from this spring. Several tourism projects linked to the 2012 Olympics seemed under threat.

London & Partners will take on the roles of those bodies under a single brand, countering criticism that the agencies worked in "silos" – duplicating promotion and without a co-ordinated strategy.

The "super agency" will also be able to take on activities that fell between the previous organisations, such as promoting exports or services such as medical tourism. It is likely to focus on business tourism more than the leisure-focused Visit London.

However, it will have less money for its broader role. The London Development Agency funded the three bodies to a total of about £17.5m a year. In the absence of specific funding, Mr Johnson has set aside about £14m a year for four years from the Greater London Authority budget for the role.

The mayor's advisers said plans to merge the promotional agencies preceded the spending squeeze.

Mr Johnson said: "With so many landmark events on the horizon, from the Olympic and Paralympic Games, to the royal wedding and diamond jubilee, this is a really exciting time for us to promote London with a single voice ... By harnessing our resources under one roof I believe we can become an even stronger magnet for tourists, students and investors in the coming decades."

> 'This is a really exciting time for us to promote London with a single voice'

London & Partners will be led by Dame Judith Mayhew Jonas, chairman of the New West End Company, as interim chair, and Danny Lopez, the LDA's director of business support, as interim chief executive. The board will be dominated by the private sector.

It will inherit about 140 staff from existing bodies and six international offices in countries such as the US, India and China. Some job losses will follow and the roles of the offices will be reviewed by an internal reorganisation.

Dame Judith said the new approach would be simpler for overseas businesses to grasp and was attracting interest by competitor cities, including New York. Synergies from merging the three bodies would mean the agency should need less cash. It would also seek greater backing from the private sector.

Grant Hearn, executive chairman of Travelodge and a board member of London & Partners, was a critic of cutting promotional funding just before the 2012 Games. He said: "The priority has to be not to drop the ball before the Olympics."

Business angels set to receive £50m handout

By Elizabeth Rigby, Andy Bounds and Jim Pickard

Business angels, who take stakes in fledgling enterprises, are poised to receive a £50m handout from the regional growth fund in an effort to extend the entrepreneurial spirit to poorer parts of the UK.

Lord Heseltine, who is in charge of allocating the regional funds, is aiming to funnel government money into start-up businesses in areas of the UK that have been heavily reliant on the public sector to create jobs.

However, the plan has provoked Labour accusations that the £1.4bn fund, set up by the coalition to ensure money reached the regions following the abolition of the regional development agencies, could end up as a "slush fund" for a mishmash of projects. Opposition MPs have already dismissed the funding as wholly inadequate, given that the sum earmarked for the regions over the next three years is the same amount the RDAs used to receive annually.

John Denham, the shadow business secretary, added to that criticism on Thursday. He said: "The regional growth fund was sold as a replacement for all scrapped investment in RDAs, the Strategic Investment Fund and Grants for Business Investment. [It] is in danger of becoming a slush fund for other projects. Whatever their intrinsic value, the government shouldn't be stealing the funding intended for regional investment."

The importance of private sector growth to Britain's recovery in the face of the retreating state was underlined yesterday by Oliver Letwin, Cabinet Office minister and one of the party's most influential policy thinkers. He told a committee of MPs on Thursday that Britain was facing an "immediate national crisis in the form of less growth and jobs than we needed".

This was why ministers had focused on economic growth in the run-up to the Budget, Mr Letwin told the environmental audit committee. But Labour seized on his comments as evidence that the economy was struggling under the coalition. Lord Heseltine is expected to reveal which of the 450-plus bids to the RGF have been successful within a fortnight. He was due to allocate £250m in the first tranche, but may now hand out more in the first round in response to the volume of applications submitted.

The aim of the "business angel" scheme is to replicate a Scottish model operating since 2003, where Scottish Enterprise, the development agency, has matched private funds.

By providing small fees to angels, it would help syndicates' running costs, which have been covered in many regions by the regional development agencies that are abolished next year.

Capital for Enterprise, the arm of government expected to receive the funding for angels investors, has invested more than £550m in 40 joint funds with private sector managers.

Slowly does it as Labour sets out vision on cuts

UK deficit

Miliband and Balls have been giving a sense of what they would do if they held office, writes Daniel Pimlott

After enjoying a tactical win at the Hyde Park rally against the public sector cuts, Ed Miliband, the Labour leader, and Ed Balls, the shadow chancellor, have been at pains to emphasise that if they were in office, they would be imposing reductions, too. But they have been less than clear about what it is they would take away.

Mr Miliband argues that because he is "not in government", he is not "going to unveil a shadow budget".

A glance at the figures gives some sense of what Labour might do. Mr Miliband on Thursday said in a BBC interview that Labour would cut spending and raise taxes by "at least" £40bn less than the government by 2014-15.

By the end of the parliament in 2014-15, the Treasury estimates that the coalition will have cut spending by £80bn and raised taxes by £30bn. In contrast, Labour under then chancellor Alistair Darling had planned £51bn in spending cuts and £21bn in tax rises.

In other words, Labour's pre-election plans would have put them on course to make as much as 64 per cent of the cuts that the coalition is offering, unless it raised taxes further.

Labour is committed to halving the deficit in four years – reaffirming Mr Darling's pledge when he was chancellor of the exchequer.

Under these plans, Labour might have sought to cut the deficit from the record 11.1 per cent of gross domestic product in 2009-10, or £156.4bn, to 5.5 per cent or less in 2013-14, or about £94bn. That compares with the coalition's plans to reduce the deficit to £70bn in the same year.

Mr Balls has compared Labour's vision with the coalition's goals, saying: "Our plan was to halve the deficit in four years. George Osborne's is to eliminate it in four years. That is a massive difference."

But while Labour wants to cut half of the whole deficit in four years, the coalition plans to eliminate the structural current deficit – the hole in the public finances that will be left over once the economy is back to normal and not including capital spending. The difference is not as big as Mr Balls makes out.

Pointer to the future: Ed Miliband in Hyde Park

The Conservative party accuses Labour of making unfunded commitments. Matthew Hancock, a Conservative MP who was George Osborne's chief of staff, says Labour has made £16bn of spending plans in the past three weeks without explaining how it would pay for them.

Meanwhile, Labour party officials highlight a 12 per cent cut in police spending compared with 20 per cent by the coalition, spending cuts on roads and teacher training, a temporary shift to indexing benefits in line with consumer prices rather than retail prices, and tougher restrictions on disability benefits.

However, these measures would not do much to dent the deficit. Labour argues that by cutting more slowly it could avoid doing permanent damage to the economy, ensuring unemployment was lower. That, in turn, would mean lower borrowing and fewer cuts overall.

"The level of growth we get will define how quickly we can reduce the deficit," Mr Miliband said on Thursday.

But the UK faces a trade-off. Economists generally agree that cutting harder in the short term risks undermining recovery. Yet interest rates might be higher, and the economy more exposed to a fiscal crisis, if cuts were going more slowly.

Labour would also have to cut further well into the next parliament. "Would they really cut right up to and through the next general election?" asks Carl Emmerson, deputy director of the Institute for Fiscal Studies. "Is that credible?"

Samuel Brittan, Page 11

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THE LEX COLUMN

Friday April 1 2011

Ireland and its banks

Call the fat lady: Ireland's banking horror show must end now. Its four surviving banks will require €24bn of new capital after Thursday's stress test results. That brings the amount of public money poured down the drain since they were felled by the global financial crisis of 2008 to €70bn – 45 per cent of gross domestic product. Ireland's pension reserves will supply €17.5bn of the injection; the rest will come from its international bail-out. With equity investors already wiped out, the question is whether senior bank bondholders should share the burden. Whether they do or not, the Irish know that their banks will haunt them for a generation.

Allied Irish needs €13.3bn, Bank of Ireland €5.2bn, Irish Life €4bn and EBS €1.5bn. Is this the end of the problem? Not necessarily; Anglo Irish and Irish Nationwide, two bust banks, may still need more (they were not part of this latest stress test). The Irish authorities' record in assessing the scale of the banking crisis is wretched, so there are grounds for continued scepticism.

Still, the tests were stringent, including stressing individual mortgages. Irish house prices have fallen 38 per cent from their peak at the end of 2006; the central bank's baseline scenario is that they will have fallen 55 per cent by the end of 2012. The benchmark used in the stress tests was the US state of Nevada, where Standard & Poor's, the rating agency, estimates that house prices have fallen 58 per cent from their peak in April 2006.

The test results were accompanied by a sweeping restructuring plan aimed at creating two Irish bank pillars from the rubble. Bank of Ireland will form the first, AIB will be merged with EBS to form the other, and Irish Life will be split up. Shrinking the banks to better fit the size of the Irish economy is a sensible first step towards rebuilding a sector that must never be allowed to hold the country to ransom again.

The value in Japan

Japan's Great Buying Opportunity, which followed the earthquake and tsunami, has already passed into history. Anyone with the fortitude to buy the Nikkei 225 at the worst of the post-quake sell-off made gains of 20 per cent in two weeks. Japanese stocks are barely 5 per cent below their pre-quake level. Does this accurately account for the damage to the economy?

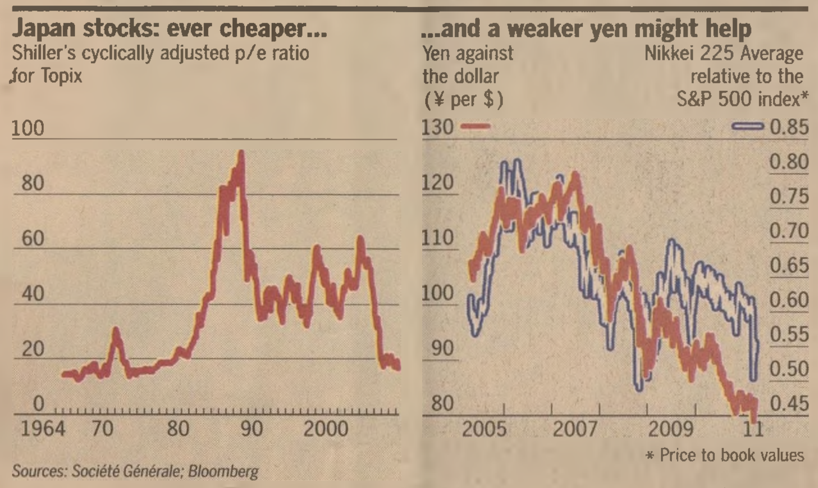
Economists' estimates, supported by the latest ISM manufacturing survey for Japan, suggest an immediate contraction of up to 10 per cent in industrial production, with contractions in gross domestic product for the first two quarters of this year. However, post-quake forecasts have been raised, starting in the fourth quarter of 2011, to account for reconstruction work.

Smithers & Co points out that Japan suffers from chronic underutilisation of both capital and labour, so this reconstruction effort need not divert resources from current production, and therefore need not push up inflation. Meanwhile, Japan's cyclically adjusted price/earnings ratio, as measured by Société Générale, is the cheapest in 40 years. Japanese stocks trade at less than half the S&P 500's multiple to book value.

Of course, Japan has been one big value trap for investors for a generation now – although, after all that relative decline, equities appear notably cheaper than at any point in the past two lost decades.

Another caveat is the yen. It too has corrected since its overreaction in the week after the tsunami, when it strengthened on the back of predicted repatriation flows. Now that central banks have intervened, and with Japanese investors likely to diversify internationally in the wake of the disaster, the risk of further weakening is considerable. For international investors who hedge the currency risk, a weakening yen makes stocks more attractive, as the relative valuation of Japanese stocks tends to strengthen when the yen weakens.

Japan may still be a buying opportunity, albeit one that no longer deserves capital letters.



Sources: Société Générale; Bloomberg

US energy goals

So, Barack Obama wants to slash American oil imports by a third by 2025. What his plan has in boldness it lacks in originality. Indeed, a TV comedian played video clips showing each of the past eight presidents using almost exactly the same language to achieve similar goals. The best remembered and most derided is a 1977 speech by Jimmy Carter in which he pledged, among other things, to cut America's proportion of imported oil in half. Calling the energy crisis the "moral equivalent of war", his call for shared sacrifice was poorly received and has led his successors to emphasise shiny new technologies instead.

Though remembered as ineffective, Mr Carter at least has the unique distinction of living to see one of his big plans achieved – a strategic petroleum reserve. Presidential energy goals fall into two distinct categories: pie-in-the-sky fantasies, such as George W. Bush's "hydrogen economy", or targets that were achievable, such as doubling vehicle fuel economy. Happily for Mr Obama, the geological and economic winds are at his back, placing his latest goal firmly into the latter group.

New domestic oilfields, such as the Bakken, supplemented by increasingly abundant natural gas liquids from the shale boom, might displace the need for as much as 20 per cent of American oil imports in the next five years. Meanwhile, fuel demand has remained stagnant due to high unemployment and abundant biofuels.

This fills most of the gap. Conservation will have to do the rest, either through wise policy or market pressures (persistently high oil prices). Mr Obama, whose approval rating recently hit an all-time low, certainly wishes to avoid the latter as his re-election campaign nears. Mindful of Mr Carter's experience, though, he will not push too hard to curb America's energy gluttony. That is a shame.

Succession pains

Warren Buffett and Rupert Murdoch are both octogenarian billionaires (third and 122nd on the latest Forbes list) who exercise tight control over listed companies. Some shareholders are unhappy with the way successors are being chosen. The commonality is not a coincidence.

The two presumably did not consult on timing their latest news. Still, it is fitting that the resignation of David Sokol, widely considered the heir apparent at Mr Buffett's Berkshire Hathaway, came only hours after the appointment of James Murdoch, Rupert's son, as deputy chief operating officer and heir apparent at News Corp. The two events reflect similar struggles.

Mr Buffett and the elder Mr Murdoch each gained his wealth by being able to see the world more clearly than rivals (and by using leverage to multiply that advantage). Their specialities differ: Mr Buffett searches out undervalued profitable franchises, while Mr Murdoch has a winning intuition about popular taste and media technology. Both disdain conventional wisdom. Neither is able to stop making big decisions.

It is hard to take over businesses built from the distinctive visions of non-retiring corporate strongmen. Mr Buffett has either not really tried or just not succeeded in finding the right person. But whether Mr Sokol quit or was fired (both sides say the former), he deserves some sympathy. Mr Buffett is a tough act to follow.

So is Rupert Murdoch. At least his son has grown up with the company and may even have inherited some of his father's business genius. In any case, News Corp is now solid enough to thrive as a typical bureaucratic enterprise, with or without a Murdoch at the top. But unless a new Buffett-like figure can be found, complete with Buffett-like investment performance, Berkshire Hathaway will have to work hard to justify its existence.

Bank relocation

Both Jamie Dimon and Bob Diamond are unhappy about bank regulation in the country their banks call home. But while Mr Dimon cannot think of moving JPMorgan out of the US, Mr Diamond cannot fully shake off reports that Barclays could relocate to the US. Indeed, it has reasons – one good, one bad – to think of headquarters migration. The irony is that the latest flurry of "Barclays is moving" talk was prompted by a March 29 UBS research note suggesting that the British bank would do better under JPMorgan's regulatory regime. Yet that regime does not please Mr Dimon, who said a day later that proposed capital rules would be a "nail in our coffin".

The UBS analysts provide the good reason to move: the UK is too small for a global capital markets player such as Barclays. By the broker's calculations, Barclays' assets (using US accounting for derivatives) come to 100 per cent of UK gross domestic product, which is too high a ratio for regulatory comfort, but a less frightening 16 per cent of US GDP. By that measure, it would create fewer risk there than JPMorgan, which has 24 per cent of GDP.

Mr Dimon's comments hint at the bad reason for moving: regulatory arbitrage is a dangerous game to play. While New York's mayor said he would welcome more of Barclays, Mr Diamond and his successors might eventually be just as unhappy with American regulation as Mr Dimon is now.

The greatest risk from such talk is not to the banks in search of a lighter touch; it is for everyone else. Jurisdictions wanting to compete on the basis of light regulation should ask themselves what kind of banks this will attract, and how such institutions would fare in a downturn. Why would any country want a prize for taking that risk?

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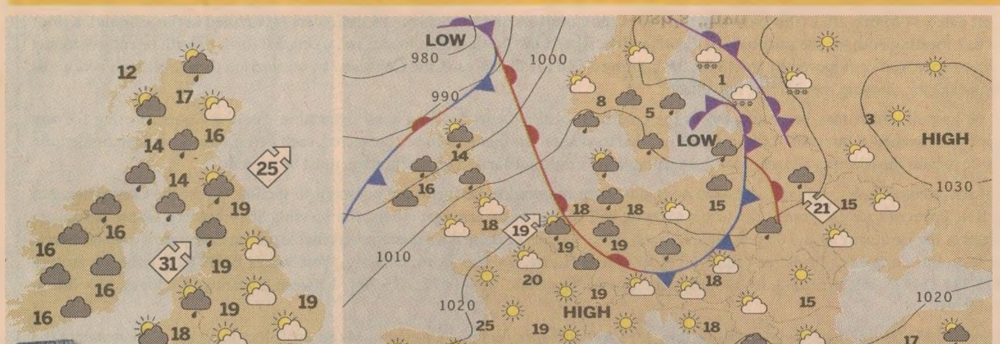
WEATHER



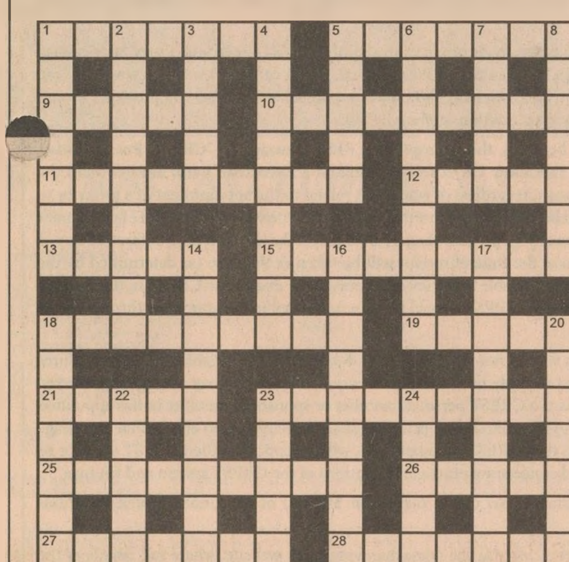
Wind speed in MPH
At 12 BST, temperatures max for day °C

Forecasts by MeteoGroup

ley 'y's temperatures Maximum for day °C & °F   Warm front   Cold front   Occluded front

Abu Dhabi	Sun	29	84
Amsterdam	Shower	16	61
Athens	Shower	17	63
B'ham	Fair	19	66
Bangkok	Fair	33	91
Barcelona	Sun	20	68
Beijing	Shower	10	80
Belfast	Drizzle	16	61
Belgrade	Fair	19	66
Berlin	Drizzle	18	64
Brussels	Fair	19	66
Budapest	Fair	17	63
Buenos Aires	Sun	28	82
Cardiff	Fair	18	64
Chicago	Shower	8	47
Cologne	Cloudy	18	64
Copenhagen	Cloudy	11	52
Delhi	Sun	33	91
Dubai	Sun	28	82
Dublin	Rain	16	61
Edinburgh	Cloudy	14	57
Frankfurt	Cloudy	19	66
Geneva	Sun	19	66
Glasgow	Rain	14	57
Hamburg	Cloudy	15	59
Helsinki	Snow	1	34
Hong Kong	Fair	24	75
Istanbul	Cloudy	12	54
Jersey	Sun	18	64
Lisbon	Sun	26	79
London	Fair	18	64
Los Angeles	Sun	26	79
Luxembourg	Shower	16	61
Lyon	Sun	21	70
Madrid	Sun	26	79
Manchester	Fair	19	66
Miami	Shower	29	83
Milan	Sun	23	73
Montreal	Sleet	6	43
Moscow	Sun	3	37
Mumbai	Sun	32	90
Munich	Cloudy	18	64
New York	Sleet	6	43
Nice	Sun	16	61
Paris	Fair	20	68
Prague	Cloudy	17	63
Reykjavik	Shower	7	45
Rio	Rain	28	82
Rome	Sun	19	66
San Francisco	Sun	25	76
Stockholm	Cloudy	5	41
Strasbourg	Fair	20	68
Sydney	Sun	24	75
Tokyo	Sun	15	59
Toronto	Fair	8	47
Vancouver	Cloudy	10	49
Vienna	Fair	19	66
Warsaw	Cloudy	15	59
Washington	Rain	12	53
Zurich	Fair	19	66

CROSSWORD
No. 13,657 Set by ALBERICH



JOTTER PAD

ACROSS
1 Bob's inclined to be stiff (7)
5 Not clever to pick on American legendary hero (7)
9 Son's tucked into pecan nuts after losing opener for cocktail shaker (5)
10 Turkey meal's left out for staff (9)
11 For example, we English needed around 100 to declare (9)
12 Reminder, say, to ask for money back (5)
13 Not initially able to head off hatred's intensity (5)
15 Reasonable price for place of beauty? (9)
18 Man United playing away later rued foul (9)
19 Head of college finally removed the right page (5)
21 Assassin needs to kick heroin (5)
23 English fellow featuring in popular myth: impossible to describe (9)
25 Reminiscent of Morse's last case (9)
26 Penicillin was discovered in this form (5)
27 Outside hospital, pass a close gathering of elders? (7)
28 Old runners can be so mean around start of race (7)

DOWN
1 In riot half of Hemel Hempstead gets trampled (7)
2 I am put off tackling concert piece by Chopin, perhaps (9)
3 American National Forest Ranger's associate (5)
4 One sets off bang on time carrying article to appear in red-top, mostly edited (9)
5 Person chiefly likely to use obscenities? On the contrary! (5)
6 No transport goes up to the deserted old city – he'll tell the story (9)
7 Editor takes staff in to do this? (5)
8 Frank is after prime bits of real estate (7)
14 To release chick from confinement needs second vehicle (9)
16 Lady-killer, one that's beaten up before gaining heart of hussy succeeded? (9)
17 Playwright's recital of pain suffered (9)
18 Surrounding batsmen, silly mid-off catches one? (7)
20 Round Robin going round prison when exhibitions are held? (4,3)
22 Old coins found in region of Oruro, Bolivia (5)
23 It's about girl with love for Prince Myshkin, maybe (5)
24 Spirit raised after female gets close to the bone (5)

SOLUTION 13,656