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Markets & Investing

Jump in Greek yields spurs talk on restructuring

News analysis

Investors speculate a default is likely next year and look to policymakers for action, writes David Oakley

It is now considered inevitable. After one of the worst months on record for the Greek bond market since the country joined the euro a decade ago, investors are convinced Athens must default on its debt.

The leap in Greek yields in April by nearly 10 percentage points for two-year bonds has moved the debate sharply forward and the question for markets has become when and how – not if – Athens will restructure its public debt.

The immediate concern is that Greek yields could go much higher still because a default is not fully priced into the market. A further rise in yields would be likely to lead to more unrest in Greece and greater urgency over the need for a restructuring.

Critically, more sharp rises in the cost of Greek borrowing would increase the risks of contagion to Spain, the eurozone's fourth-largest economy, and a deepening of the currency club's crisis.

Andrew Balls, head of European investments at Pimco, says: "Policymakers have to quarantine Greece, Ireland and Portugal. Thus far, this quarantine strategy seems to be working but sentiment can change sharply and quickly."

On Tuesday, Greek two-year bond yields fell 113 basis points to 24.78 per cent in a sign of how quickly sentiment can change, as Athens denied it was contemplating a restructuring.

However, many strategists say the markets will see a lasting improvement in sentiment and an end to the threat of contagion only once European policymakers start speaking with one voice.

Speculation in the German press that Berlin wanted a Greek restructuring against the wishes of the European Central Bank unsettled investors in recent weeks and contributed to the lurch higher in peripheral yields.

What must happen next, strategists say, is that policymakers will move to outline an orderly restructuring with a credible exit strategy, avoiding the example of Argentina, the most recent large sovereign default.

On this point, timing is important. The consensus in the market is for a default next year because Greece, which has received €53bn so far from its €110bn bail-out loan from its eurozone partners and the International Monetary Fund, is expected to run out of money by the second half of 2012.

Greece also has a so-called refinancing hump of €112bn in bond redemptions between 2012 and 2015, which the government could struggle to meet given the increasingly slim chance that it could start issuing bonds next year with such high yields.

This has prompted some investors to suggest that a restructuring could be combined with more loans from the international community, sparing the private sector from savage haircuts.

Such a move may prove essential considering that a 55 per cent haircut on Greek bonds, which has been priced in by the market, would still leave the country with an estimated debt to gross domestic product ratio of 80 per cent on present forecasts.

This is above the threshold of 60 per cent in the Maastricht treaty, which sets out the fiscal guidelines for European Union countries.

A further debate is over whether a restructuring will be voluntary, which has implications for investors using credit default swaps that would not pay out in such a scenario.

A growing consensus is that a voluntary restructuring, which could involve some kind of extension of bond maturities, could take place first, as soon as this year, with a full-scale default next year or in 2013.

A voluntary restructuring assumes that investors would be willing to participate, however.

One senior investor says: "Greece has a balance sheet problem, which can only be addressed by a sizeable haircut rather than an extension of loan maturities. This is really the only way of dealing with its huge public debts."

A 55 per cent haircut on the outstanding €262bn of bonds could also create difficulties for Athens' banks, which hold much of the debt, and other eurozone lenders exposed to Greece, while the ECB holds about €20bn-€30bn in Greek sovereign bonds.

Valentijn van Nieuwenhuijzen, head of fixed income strategy at ING Investment Management, says: "A Greek restructuring cannot be isolated to Greece because of the exposure to other eurozone countries. Not only will a Greece restructuring spark debate on whether Ireland and Portugal will follow; it will also impact any countries with exposure to Greece, which include the core nations."

Although most strategists do not think Spain will be sucked into the crisis, contagion risks cannot be discounted.

Uncertainty, therefore, remains the watchword for investors and strategists.

Gary Jenkins, head of fixed income at Evolution Securities, says: "The only thing that is certain about the eurozone crisis is the uncertainty. We don't know how a Greek restructuring will be tackled. It could spark a new leg in the crisis or provide the market with a positive turning point."

Additional reporting by Kerin Hope in Athens

Pricing a haircut

Financial markets are pricing in a 55 per cent haircut on Greek sovereign bonds, **writes David Oakley.**

The 55 per cent haircut is measured through relatively new instruments for the sovereign debt markets, known as recovery swaps.

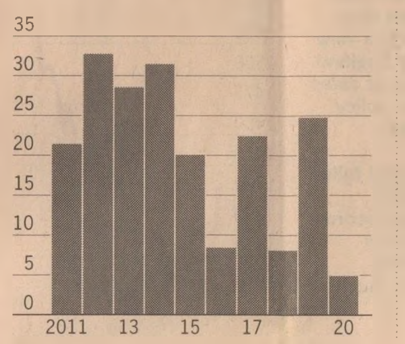
They are pricing in a 45 per cent recovery, equivalent to a 55 per cent haircut.

ING Investment Management have calculated that such a scenario would mean that Greek two-year bond yields would rise from 24.78 per cent currently to 45 per cent.

Rising costs of Greek crisis

Greek government bonds
Two-year yield (%)

Greece's 'refinancing hump'
Government debt distribution (€bn)



Disconnecting from peripheral woes
Spanish 10-year spread over Bunds (%)

The options facing policymakers
The different ways of restructuring bonds

- Coupon payments can be reduced
- Coupon payments can be delayed (grace periods)
- Principal payments can be reduced (haircuts)
- Principal payments can be delayed (maturity extension)

Sources: Thomson Reuters Datastream; Bloomberg

Trading post
Jamie Chisholm

It's Greenery Day in Japan, the middle vacation of the Golden Week holiday.

Do traders think the Ministry of Finance is paying no attention to the currency markets? Risky.

The dollar/yen cross on Tuesday breached Y81 for the first time since the post-earthquake co-ordinated intervention that was designed to stop the Japanese unit from spiking and further hampering struggling exporters.

The yen has been quietly gaining ground during the past month, but much of this strength has come against a much weaker greenback: up nearly 4 per cent, compared with a flat performance relative to the euro.

Although Monday's move came on an otherwise positive day for the dollar – meaning it was more a function of yen strength – it is likely to be sentiment towards the buck that now carries the greater medium-term heft in the relationship. Traders have been trimming their net shorts versus the yen in recent weeks, partly explaining its rise, perhaps.

That could be a mistake if intervention murmurings return and if the US jobs data this week, culminating in Friday's non-farm payrolls numbers, change perceptions of Federal Reserve policy.

Rolling global overview at: www.ft.com/markets

Yen
Against the dollar (¥ per $)

Source: Thomson Reuters Datastream

S&P warns of increase in debt defaults by European companies

By Anousha Sakoui

Credit rating agency Standard & Poor's is warning of a rise in European companies defaulting on their debts in coming years, despite a continuing fall in the rate.

A boom in high-yield bond issuance, most notably in Europe, has allowed many highly indebted companies to refinance loans put in place before the credit crunch took hold in late 2007. That revival in bond markets, with a shift from bank financing to bond financing among many corporates, has led to a dramatic fall in default rates below the longer-term average of 4 per cent for the first time since the third quarter of 2008.

According to S&P, defaults among issuers of public bond debt and private loan debt, have fallen to 3.8 per cent at the end of December 2010, from 13.6 per cent at the end of December 2009.

The rating agency on Tuesday said while it saw signs of a further possible decline in the rate in coming months, the medium-term outlook for default rates was negative. The agency now forecasts a rise in the Western Europe's default rate on speculative grade debt to between 5.5 and 7.5 per cent next year.

"A number of challenges lie ahead as lenders work their way through their portfolios," said Standard & Poor's credit analyst Paul Watters.

"Between 2011 and 2013, we see issues surrounding covenants and refinancings against a backdrop of continuing subpar growth and restricted lending capacity. In our view, most companies at the speculative-grade level have limited scope to implement further cost savings measures to preserve liquidity, leaving them vulnerable to another round of restructurings, defaults, insolvency filings, and liquidations."

While larger leveraged buy-outs would have access to the high-yield bond markets, the agency believed smaller, underperforming LBOs could be highly vulnerable to the more restrictive lending environment that the agency expects could persist into 2012-13.

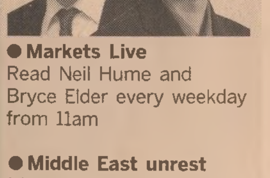
Debt veteran pleads for more time

Bill Rhodes, the leading financial diplomat, has said that official and private lenders need to give distressed Greece and Portugal more time – otherwise a Brady bond-style eurozone debt restructuring looks inevitable, **writes John Paul Rathbone.**

"Many people in the market believe it is inevitable. I still think there is an opportunity if there is more flexibility, but time is running out," he said.

Video: www.ft.com/rhodes

More news at FT.com



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A Civets index: herding cats?
beyondbrics, the FT's emerging markets hub

Among the post-Bric acronyms competing to encapsulate the prospects of other chunks of the emerging world, Civets is gaining the most ground, **writes Stefan Wagstyl**.

S&P joined the bandwagon by launching S&P Civets 60 – a tradeable index of 50 stocks from the next-generation emerging markets of Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.

Even more of a mixed bag than the Bric quartet, Civets equities have outperformed the Brics in recent years. And for investors, that's what counts.

Invented by the Economist Intelligence Unit and taken up last year by HSBC, Civets has a decent pedigree.

Michael Orzano, associate director of global equity Indices at S&P Indices, said: "With reasonably sophisticated financial systems and rapidly maturing equity markets, the six Civets countries show all the signs of becoming increasingly important to international investors."

The index is composed of 10 liquid stocks in each of the six countries, headed by South Africa's Sasol energy group and the MTN telecommunications company, Indonesia's Astra combine and Turkiye Garanti Bankasi, the Turkish bank.

S&P says the index is a modified market capitalisation-weighted index with no country having more than 30 per cent at each semi-annual rebalancing.

The total market capitalisation of these countries is $684bn but the market value accessible to foreign investors (the available free float) is $331bn.

As of March 31 2011, South Africa represented 31.61 per cent of the index (slightly above the 30 per cent because of stock market movements after balancing). It is followed by Indonesia (28.14 per cent), Turkey (21.01 per cent), Colombia (12.49 per cent), Egypt (5.68 per cent) and Vietnam (1.07 per cent).

S&P says the Civets share some key characteristics: their economies are relatively diversified, not overly reliant on natural resources and have increasing foreign direct investment.

Even that is stretching a point. South Africa has long been an economy driven by its natural resources. Oil-rich Colombia and Indonesia are hardly lacking in minerals.

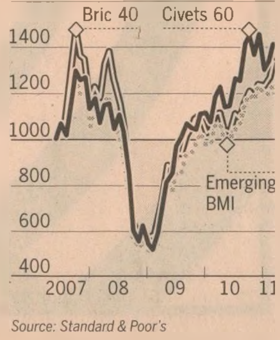
Egypt is not currently seeing "increasing foreign direct investment".

The differences are too big to be ignored. Vietnam is a Communist dictatorship; Egypt an authoritarian state in a reform phase; Turkey is a democracy of good enough standing to be negotiating European Union membership.

But none of this undermines the value of a Civets index. Many investors want a clear way of securing geographical spread to reduce the risks of investing in only one or two countries.

And investment performance matters. As the chart shows, the Civets have outperformed both the S&P Bric index and the S&P emerging markets index since June 2007. So it may be like herding cats but S&P is right to try to make a team out of the Civets.

Best performing acronyms
S&P total return indices (rebased)



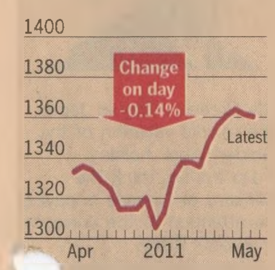
Source: Standard & Poor's

MARKETS

Wednesday May 4 2011

Markets update

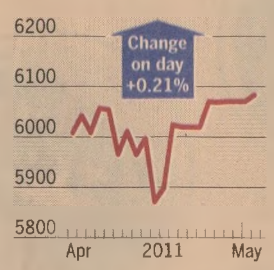
S&P 500 index



Source: Thomson Reuters Datastream

● **US equities**
Weakness for energy and materials stocks left Wall Street struggling to regain momentum, with losses in the pharmaceuticals sector further hampering the market after poorly-received results from Pfizer

FTSE 100 index

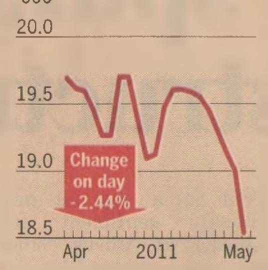


● **UK equities**
Gains for pharmaceuticals offset weakness in the mining and metals sectors as the London market reopened after its extended weekend break. ITV fell sharply amid concerns about advertising revenues

FTSE Eurofirst 300 index

● **European equities**
The Eurofirst 300 broke an eight-session run of gains as investors opted to take profits, notably in the carmaking sector. Energy stocks also came under pressure as crude oil prices retreated

BSE 30 Sensex index
'000



● **Indian equities**
The Sensex index tumbled 2.4 per cent to a six-week low – its seventh successive decline – after the Reserve Bank of India raised interest 50 basis points, more than expected, in a bid to rein in inflation

Markets updated at www.ft.com/markets

Falling commodity prices unsettle shares

GLOBAL OVERVIEW

Focus shifts back to fundamentals

Dollar rally fades after nerves set in

By Dave Shellock

Volatility was the order of the day for financial markets as the focus shifted away from geopolitical issues and back to fundamental factors ahead of several key event risks later this week.

World equities were undermined by weaker commodity prices as the dollar recovered from a three-year low and investors fretted about global monetary tightening in response to inflation pressures.

The US currency's advance faded during the session as investors became nervous ahead of Friday's US employment report and increasingly focused on the view that the Federal Reserve would maintain its loose monetary policy stance for some time.

By contrast, traders said the euro continued to find underlying support from expectations that the European Central Bank would continue raising interest rates in the months to come.

That view was strengthened by news that eurozone producer price inflation in the year to March had risen at the fastest pace for more than two years.

The markets will be on alert for any signals about the timing of a possible rate move at the news conference after the ECB's policy meeting on Thursday.

Marco Valli, chief eurozone economist at UniCredit, said that, from a fundamental perspective, a further near-term withdrawal of monetary stimulus by the ECB was justified. "Business surveys remain consistent with above-trend GDP growth, the inflation outlook has deteriorated further compared to a month ago and loan demand is showing increasing signs of strengthening.

"However, the debt crisis has recently seen a sudden worsening with the market sending yields on Greek, Portuguese and Irish bonds to new record-high levels."

There was some respite for Greek bonds on Tuesday, although speculation that Athens would be forced into debt restructuring remained rife. The yield on the two-year Greek bond slid 113 basis points to 24.78 per cent, after a gain of nearly 1,000bp in April.

Sterling and gilt yields fell as a weak report on UK manufacturing activity lent weight to the view that the Bank of England's monetary policy committee would leave interest rates on hold at its meeting this week.

"Markets now see only a very small risk of a policy tightening on Thursday and we certainly have no reason to change our judgment that higher rates are off the cards for now," said Philip Shaw, economist at Investec.

"Our view for a while has been that the committee is most likely to raise rates in August. But we agree with the signal from the yield curve, which is that there is a growing chance that interest rates will not rise until the back end of the year, or even beyond."

Central bank policy was in focus elsewhere as the Reserve Bank of India lifted rates by 50bp – more than expected – to counter inflation pressures. Australia's central bank left rates on hold but warned that underlying inflation was likely to head higher.

But inflation concerns offered only limited support to the price of gold. A choppy session saw gold end European trading little changed at $1,545 a troy ounce. Silver held steady below $44 an ounce after Monday's steep decline.

Elsewhere in **commodities**, Brent crude oil fell $1.26 to $123.86 a barrel although copper came off a seven-week low to end flat.

Equities were hit by losses in the mining and materials sectors.

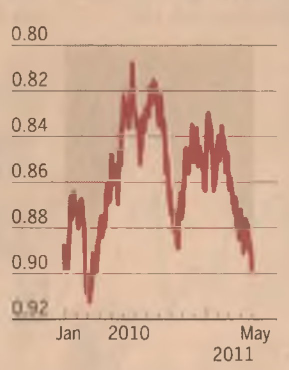
By midday in New York, the S&P 500 was down 0.2 per cent while the FTSE Eurofirst 300 index shed 0.5 per cent. Tokyo was shut for a holiday.

US **government bonds** pared early gains that drove the 10-year yield to a six-week low.

By midday, the 10-year was yielding 3.27 per cent, down 1bp after earlier hitting 3.25 per cent.

Lex, Page 12

Sterling
Against the euro (£ per €)



Source: Thomson Reuters Datastream

◀ **Sterling came under heavy pressure as weak UK manufacturing data added weight to the view that the Bank of England would leave interest rates unchanged at its policy meeting this week**

▶ **The price of gold failed to re-test Monday's nominal intra-day record high of $1,575.79 an ounce as the dollar traded higher for much of the session**

Gold price
$ per troy ounce

Pfizer loses ground as revenue miss weighs on healthcare sector

WALL STREET

By Michael Stothard in New York

Shares in **Pfizer** slipped back after its first-quarter revenues fell short of expectations, weighing on the healthcare sector and helping to lead the wider markets lower for the second consecutive session.

The world's largest drugmaker by revenue reported that sales had fallen slightly in the quarter to $16.5bn, which was short of the $16.6bn expected by analysts.

This left shares in the company down 2.8 per cent at $20.43 as investors chose to focus on this revenue miss rather than the company's 10 per cent increase in net income, which was ahead of what analysts had expected.

The market's disappointment over the results weighed on the healthcare sector with **Watson Pharmaceuticals** falling 1.2 per cent to $62.60 and **Mylan** losing 2.4 per cent to $24.24.

The S&P healthcare index was down 0.3 per cent, although it is still up 12.3 per cent this year – one of the best-performing sectors on Wall Street.

These losses helped pull the wider markets lower, with the S&P 500 index 0.2 per cent softer to 1,358.20 by mid-session on Wall Street.

But the biggest drags on the index were energy and material stocks as many commodity prices lost ground.

Within the energy sector, **Halliburton**, the oilfield services company, was down 1.8 per cent to $48.06 while **Noble Energy** fell 2.8 per cent to $90.78.

Disappointing results from **Chesapeake Energy** also helped to weigh on the sector, with shares in the energy group falling 3.7 per cent to $32.01 after it reported a drop in first-quarter earnings.

The S&P energy index fell 1.6 per cent, by far the worst performing S&P sector.

The materials sector also lost ground, although not by as much, edging back 0.6 per cent. **Massey Energy**, the coal miner, fell 2.9 per cent to $65.78 while **Consol Energy** lost 2.8 per cent to $52.67.

The Dow Jones Industrial Average was broadly flat at 12,822.99 while the Nasdaq Composite fell 0.6 per cent to 2,848.10.

In the previous session, the markets were given an early boost following news on Sunday night that Osama bin Laden had been killed by US forces in Pakistan. But the benchmark indices still closed the day slightly lower as investors began to worry about where the market was now heading following the lofty technical highs reached in previous few sessions.

Last week, the S&P achieved a 35-month high, the Nasdaq rose to a 10-year high and the Russell 2000 hit an all-time high.

"A lot of technicians are saying we are overbought here and we should move back for a while," said Linda Duessel, senior portfolio manager at Federated Investors.

JPMorgan released a downbeat note on Tuesday saying they expected "turbulence" in the equity markets during the coming months because of the turmoil in the Middle East, fallout from the Japan earthquake, US budget deficit concerns and growing inflationary pressures.

However, a survey from Charles Schwab, the retail brokerage, found that investor sentiment was at its highest point since late 2009 with 47 per cent of traders surveyed saying that they were feeling optimistic about the market compared with 28 per cent a year ago.

In another positive sign on Tuesday, US factory orders rose in March for the fifth consecutive month, the latest sign of strength in US manufacturing.

Elsewhere in Wall Street, shares in **MetroPCS Communications** jumped 8.3 per cent to $17.84, the best-performing stock in the S&P 500, after the wireless provider reported a doubling in its first-quarter earnings

This helped lift the telecoms sector. **American Tower** advanced 2.7 per cent to $52.92 while **AT&T** added 1.6 per cent to $31.72. The S&P telecommunications index was up 1 per cent.

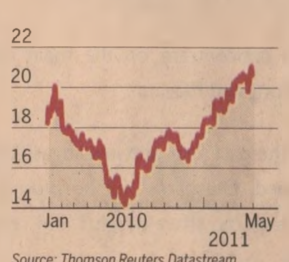
In the utility sector, **First-Energy** put on 5.2 per cent to $41.68 after the power company gave an earnings outlook that surpassed expectations.

The gains came despite the fact that the company reported a fall in profits as it booked costs related to its $4.7bn purchase of Allegheny Energy in February.

Anadarko Petroleum, the US oil and gas company with a minority stake in BP's disaster-hit Macondo well, reported a 12 per cent fall in underlying earnings for the first quarter because of a decline in natural gas prices and a rise in costs. The stock declined 0.5 per cent to $79.93.

Biggest movers, Page 22

Pfizer
Share price ($)



Source: Thomson Reuters Datastream

Key indicators

Indices	Close	Day's change
S & P 500	1350.73	-10.49
DJ Industrials	12762.06	-45.30
Nasdaq Comp	2830.67	-33.41
Russel 2000	840.73	-14.04
VIX	17.21	+1.22
US 10 yr Treas Bd	3.27	-0.02
US 2 yr Treas Bd	0.61	0

Pound falls as growth slows

CURRENCIES

By Neil Dennis

Sterling slid after survey data pointed to a slowdown in UK manufacturing, adding weight to speculation that the country's interest rates would remain lower for longer.

A survey of Britain's purchasing managers showed that domestic new orders fell sharply in April and the overall manufacturing PMI index slipped to 54.6 from 56.7 in March.

The Bank of England's monetary policy committee meets this week to decide the immediate future of UK monetary policy but was not expected to increase its main interest rate from its historic low of 0.5 per cent.

"The issue of weak growth and high inflation will continue to trouble the Bank," said James Knightley, of ING.

"This report further diminishes the likelihood of a rate hike this week with November looking the most likely point for policy tightening at present."

Sterling had been hovering around 18-month highs against the dollar in recent sessions but some analysts said the pound was now in the same boat as the US currency; offering investors a low yield with little likelihood of higher rates in the medium term.

Against the dollar, sterling fell 1 per cent to $1.6489 while dropping 1 per cent to £0.8987 versus the euro.

Against the yen, the pound was down 1.5 per cent to Y133.19. Trade-weighted sterling lost 1 per cent to 78.8. Both the dollar and the yen were broadly higher in the face of a loss of risk appetite as equity markets back-pedalled and commodity prices eased.

The yen was the stronger of the pair, however, gaining 0.3 per cent to Y81.01 versus the dollar.

In spite of its losses against the yen, down 0.6 per cent to Y119.62, the euro was up against most other currencies as producer price inflation showed that pressure on eurozone manufacturers to raise their prices remained intense.

A 0.7 per cent jump in producer prices in March lifted the annual rate to 6.7.

The European Central Bank holds its May policy meeting on Thursday and is expected to keep its main refinancing rate at 1.25 per cent. The euro ended flat against the dollar at $1.4815.

Currency rates, Page 23
www.ft.com/currencies

Equities fall as data show inflation requires vigilance

EUROPE

By Neil Dennis

European equities fell after eight consecutive sessions of gains as producer price data indicated that the European Central Bank should remain vigilant on inflation. The bank was not expected to lift eurozone interest rates at Thursday's policy meeting but analysts said the data increased the likelihood of forthcoming rate rises. The ECB lifted its main refinancing rate to 1.25 per cent from 1 per cent in April.

"The ECB will be wary about raising interest rates too aggressively due to the growth headwinds facing the eurozone and the problems higher interest rates will cause for Greece, Ireland, Portugal and Spain," said Howard Archer at IHS Global Insight.

Carmakers were weighed down as manufacturing data in China and the UK indicated growth in the sector was slowing. There was also an element of profit taking as the sector has made one of the best recoveries since the global downturn in March that followed the Japanese earthquake.

The FTSE Eurofirst 300's auto and parts sector has climbed nearly 20 per cent since March 16, outperforming the main index's 8.5 per cent climb over the period.

Volkswagen, Porsche and **Daimler**, which all rallied last week after reporting stronger first-quarter profits, were down on Tuesday.

VW fell 1.7 per cent to €132.50, Porsche lost 0.9 per cent to €48.61 and Daimler shed 1.6 per cent to €51.65.

BMW, which reports its first-quarter results on Wednesday, fell 1.7 per cent to €63.37, while **Fiat**, which reported last week, dropped 2.1 per cent to €7.33.

Sandvik, the Swedish toolmaker, fell 2.3 per cent to SKr122.60 after its first-quarter results delivered earnings in line with forecasts but failed to impress on margins due to the strength of the currency.

German supermarket chain **Metro** fell 2.2 per cent to €48.37 after first-quarter sales and underlying profit failed to match expectations. The company, however, confirmed its 2011 outlook. The FTSE Eurofirst 300 index fell 0.5 per cent to 1,150.81 but there were some bright spots. **Infineon** climbed 2.3 per cent to €7.92 after the German group reported stronger than expected second-quarter results. **Wacker Chemie**, the chemicals group, has received upgrades from Deutsche Bank and Cheuvreux. Its shares topped the Eurofirst index, up 3.6 per cent to €172.80.

European car makers
Eurofirst 300 index

Source: Thomson Reuters Datastream

Ad woes send ITV into sharp decline

LONDON

By Bryce Elder and Neil Hume

Advertising worries left ITV among the sharpest fallers even as the FTSE 100 flatlined for a third day.

Shares in the broadcaster lost 2.2 per cent to 74½p after Merrill Lynch became the latest broker to cut its advertising forecasts.

Signs of a sharp deterioration in ad spend over the second quarter, particularly among carmakers and retailers, led Merrill to cut its 2011 earnings forecast for ITV by 8 per cent to 7.2p a share. Traders also noted that ITV was an outside bet to make way for Glencore in the FTSE 100 if, as expected, the metals trader gains automatic promotion later this month.

As of Tuesday's prices, the smallest company in the FTSE 100 was **3i Group**, down 0.2 per cent to 279½p, followed by **Invensys**, off 0.7 per cent to 338¼p.

The wider market remained directionless after London's extended weekend with the FTSE 100 ending up 12.98 points, or 0.2 per cent, at 6,082.88.

BSkyB edged up 0.6 per cent to 847p on talk that the UK government was poised to give approval to News Corp's bid approach.

Man Group rose 3.3 per cent to 258p after the hedge fund manager said the launch of a Japanese fund had raised $1.5bn compared with market expectations of about $500m.

AstraZeneca rallied 2.4 per cent to £30.62, having fallen sharply on Thursday after its results failed to meet market expectations. Investors almost universally expect a rejection ahead of the July meeting, Merrill said.

Among small caps, Frank Timis's **African Minerals** firmed 6.3 per cent to 535p after the exploration group renegotiated the terms of deal in its flagship iron ore project in Sierra Leone.

A profit warning from **Thorntons**, the chocolate maker, sent its shares down 12.8 per cent to 70p.