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Condemned to succeed

Reviving Britain's strained coalition. Analysis, Page 9

The top 50 schools for executive education

Separate magazine

World Business Newspaper

News Briefing

Obama demands check for bin Laden's helpers

US President Barack Obama believes Osama bin Laden had a "support network" at the Abbottabad compound in Pakistan where he was killed on May 1. He is calling on Pakistan's government to investigate who was protecting the terrorist leader. "There had to be some sort of support network for bin Laden inside of Pakistan," Mr Obama said. **Page 8; www.ft.com/obltimeline**

Barclays retreats

Barclays is expected to say that it will no longer back a legal fight over payment protection insurance after Lloyds Banking Group withdrew last week and took a £3.2bn charge to compensate customers. **Page 2; Lehman assets dispute, Page 20**

US energy tax quiz

Tax breaks for oil and gas companies in the US are to be challenged by the Senate. With petrol at $4 a gallon, oil and gas executives from energy groups are to testify at a hearing. **Page 8; Future of energy, Page 11; Lex, Page 14**

Apple pips Google

Apple has overtaken Google in being the most valuable brand with an estimated brand value of $153bn, say rankings published today. The popularity of the iPad tablet and iPhone has boosted its value. **Page 15**

UBS doubts on goals

Bankers at Swiss financial services group UBS have privately said it is unlikely to meet performance goals as it realigns its business in line with new rules on capital. **Page 15; New look, Page 20**

EU to alter tariffs

The European Union plans to end trade benefits for some developing countries as it believes they have become too wealthy and no longer deserve preferential treatment. **Page 8**

Russian e-piracy fears

Russian internet company Mail.ru Group has said media companies will have a hard time charging for online content in the country because of rampant piracy. **Page 21**

German liberals' turmoil

Germany's ailing liberal party the Free Democrats, junior partners in the centre-right coalition government, is embroiled in an internal feud days before it is due to elect a new leader. **Page 7**

CBI's 'solid' backing

The CBI is "rock solid" behind the government's austerity programme and says private sector growth will offset a sharp fall in demand from the public sector. **Page 4**

Syria crackdown grows

Syrian forces have intensified military operations in three towns to try to crush the seven-week-old uprising. **Page 6**

Cementing a union

Lafarge and Anglo American are lining up asset disposals to pay down debt and avoid anti-competitive action as they look to combine their UK cement businesses. **Page 15**

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Greek bail-out heads for revamp

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Focus on difficulty for Athens to raise funds

Options include debt payment delays

By Peter Spiegel in Brussels and Kerin Hope in Athens

European officials are preparing to revamp Greece's bail-out package after concluding that Athens would be unable to raise money in the markets early next year, as envisaged under a €110bn (£97bn) rescue plan.

Eurozone ministers this weekend publicly acknowledged that Greece would probably need additional cash from the European Union or other international institutions.

"We think that Greece does need a further adjustment programme," said Jean-Claude Juncker, Luxembourg's prime minister and chairman of the eurogroup of finance ministers.

George Osborne, the chancellor, said changes to the Greek bail-out programme were "inevitable".

Although such a conclusion had been widely accepted by analysts and officials working on the issue, the public recognition marks a turning point in the debate over Greece's future.

Officials involved in the discussions insist that no decisions on how further to help Greece have been made, though George Papaconstantinou, the Greek finance minister, said it could include additional assistance from the eurozone's €440bn bail-out fund or further delays in Greek debt payments.

"We now have to complete procedures for borrowing in 2012 and 2013 from the temporary European mechanism as markets continue to be mistrustful of us," Mr Papaconstantinou said, conceding Greece had dropped its plan to return to markets at the end of this year. Mr Papaconstantinou and Mr Juncker were speaking after they attended a previously undisclosed meeting on Friday in Luxembourg between a select group of eurozone finance ministers and top EU officials.

Greece needs to raise €25bn-€30bn next year to meet debt repayments that would not be covered by its current bail-out loan. In addition to selling bonds to the EU rescue fund, Athens could also propose a voluntary extension of maturities on debt due to expire next year, a Greek official said.

The option of restructuring Greek debt had been excluded, Mr Juncker said. Jean-Claude Trichet, European Central Bank president, and Olli Rehn, the top EU economic official, have concluded a restructuring would cause more problems than it would solve, a top official said.

Mr Juncker also dismissed rumours that Greece was mulling an exit from the eurozone – which unnerved the markets on Friday – as "stupid".

One senior European official involved in the meeting said Mr Papaconstantinou was invited so his fellow eurozone ministers could impress on him that Athens should stop seeking additional concessions without making greater efforts to implement a €50bn privatisation plan and crack down on tax evasion.

Eurozone woes, Page 7
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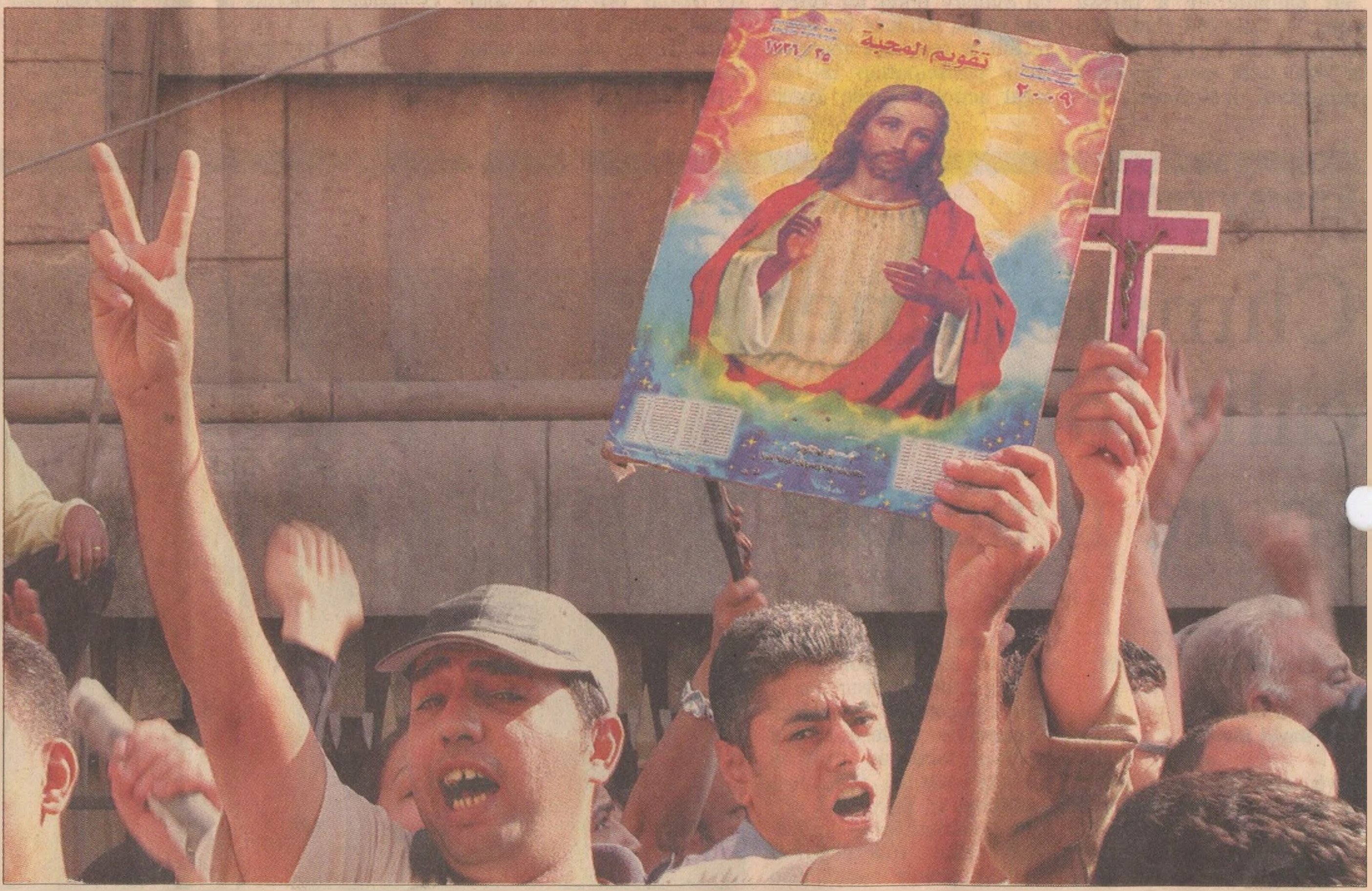
Egypt clashes Fears that violence threatens transition



Egyptian Coptic Christians protest in Cairo after a church was set alight during clashes on Saturday night between Christians and conservative Muslims, raising fears for the transition to democracy. The violence left 12 dead and 230 injured Report, Page 6 epa

Builders say official figures don't add up

By Ed Hammond and Norma Cohen

The Office for National Statistics is looking into whether a change in the way it collects data about the construction industry has distorted reported levels of activity, with gross domestic product growth likely to have been stronger in the first quarter of 2011 than had been reported, but weaker at the end of 2010.

Construction executives said a change to the methods used for the agency's monthly survey led companies to submit data about business completed up to six weeks earlier. Until 2010, the survey measured the value of orders won during the month. The new survey asks for the volume of output in the period.

Geoff Cooper, chief executive of Travis Perkins, the UK's largest builders' merchant, said: "It's not just a problem with this first quarter, but for a while now we've been concerned about the reliability of the [ONS] numbers".

This view was echoed by executives from contractors and building materials companies including Kier, Tarmac and McLaren Construction.

If the complaints are correct, UK GDP is likely to have grown about 0.8 per cent in the first quarter of 2011 rather than the 0.5 per cent reported. The higher level of output is in line with forecasts in March from the Office for Budget Responsibility and in February from the Bank of England.

> 'For a while now we've been concerned about the reliability of the [ONS] numbers'
>
> **Geoff Cooper Travis Perkins chief**

However, any upgrade also suggests the economy contracted by more than the 0.5 per cent decline in GDP in the fourth quarter of 2010. The ONS said activity was "flattish" after accounting for the effects of snow. Now, it emerges, output may have contracted.

Construction accounts for about 6 per cent of national output but has been volatile since Britain emerged from recession and has affected calculations of GDP disproportionately.

Economists expressed concern about the strength of first-quarter GDP in early April when construction orders for February were made public. These showed that the expected rebound from snow-related delays not only failed to materialise but that orders fell.

Economists scaled back forecasts for GDP growth for the quarter and futures markets, where predictions of a rate rise in May prevailed, began to roll back the timing of a near-term rise in spite of high inflation.

Joe Grice, ONS chief economist, said the agency routinely evaluated the performance of all its output and had "no reason at present to believe the construction series is giving a distorted picture of what is going on in the sector".

CBI upbeat on growth, Page 4
Video at www.ft.com/vftt

NHS battle looms

Nick Clegg has vowed to veto the government's health reform unless a proposal forcing GPs to take on responsibility for commissioning care is dropped, in an attempt to rebuild Lib Dem morale after a crushing election defeat. The intervention puts Andrew Lansley (pictured), the embattled health secretary, in an increasingly precarious position on NHS reform.

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One year – one nil, Page 9
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Biggest commodity hedge fund loses $400m in oil price collapse

Clive Capital rocked by last week's sell-off

By Sam Jones in London

Clive Capital, the world's largest commodity hedge fund, has been left nursing losses of more than $400m (£244m) as a result of the dramatic collapse in the price of oil last week.

London-based Clive – which manages an estimated $5bn of client money – is the biggest of several big hedge funds believed to be reeling after the unexpected sell-off hit markets late last week.

Others, including Astenbeck Capital, the Phibro-owned fund run by Andrew Hall, are thought to have taken double-digit percentage point losses to their portfolios, according to investors.

The scale of the losses demonstrates that even the savviest investors in commodities were wrongfooted by last Thursday's correction, one of the sharpest one-day falls on record.

In a letter sent to investors on Friday and seen by the Financial Times, Clive said it was down 8.9 per cent on the week after what it called "extraordinary" price movements on Thursday. Clive's management said it was at a loss to explain what had caused crude oil markets to be "annihilated".

"Economic data was soft early in the week though micro news for oil continued to be bullish. Indeed there was news out earlier in the week of further supply disruptions in Yemen and a substantial technical supply outage in the UAE," the fund said.

While several fund managers had been slowly positioning themselves for a correction, the speed and scale of the event caught most – including Clive – off-guard. At its low of $105.15 a barrel on Friday, benchmark Brent crude oil had dropped more than $16 in two days.

The correction means Clive is now slightly down on the year, after a strong performance over the first four months to April.

Most managers remain bullish, however, and expect commodity prices to continue to rise. "Physical markets are quite strong," said Clive in its letter. "We remain positioned in a number of markets."

Commodity hedge funds are used to volatile portfolio moves. In spite of similar historical setbacks, Clive has a record of returning, on average, 27 per cent on investors' capital a year.

The fund manager was set up in 2007 by Chris Levett, a former trader at Moore Capital, the global-macro hedge fund run by Louis Bacon.

Clive Capital and Astenbeck did not respond to requests for comment.

World Markets

	May 6	Apr 29	Wk's chg%
S&P 500	1340.2	1363.61	-1.72
Nasdaq Comp	2827.56	2873.54	-1.60
Dow Jones Ind	12638.74	12810.54	-1.34
FTSEurofirst 300	1144.91	1156.81	-1.03
Euro Stoxx 50	2952.9	3011.25	-1.94
FTSE 100	5976.77	6069.9	-1.53
FTSE All-Share UK	3109.63	3155.03	-1.44
CAC 40	4058.01	4106.92	-1.19
Xetra Dax	7492.25	7514.46	-0.30
Nikkei	9859.2	9849.74	0.10
Hang Seng	23159.14	23720.81	-2.37
FTSE All World $	229.73	235.17	-2.31

	May 6	Apr 29		May 6	Apr 29
$ per €	1.451	1.484	€ per $	0.689	0.674
$ per £	1.642	1.668	£ per $	0.609	0.600
£ per €	0.883	0.889	€ per £	1.132	1.124
¥ per $	80.62	81.14	¥ per €	116.9	120.4
¥ per £	132.4	135.3	£ index	79.50	79.60
$ index	76.70	76.10	€ index	97.83	99.27
SFr per €	1.268	1.289	SFr per £	1.436	1.449

COMMODITIES

	May 6	Apr 29	Wk's chg
Oil WTI $ Jun	97.18	113.93	-16.75
Oil Brent $ Jun	109.13	125.89	-16.76
Gold $	1,491.00	1,535.45	-44.45

	price	yield	Wk's chg
US Gov 10 yr	103.91	3.16	-0.14
UK Gov 10 yr	102.83	3.39	-0.08
Ger Gov 10 yr	100.91	3.14	-0.10
Jpn Gov 10 yr	101.46	1.14	-0.07
US Gov 30 yr	107.63	4.29	-0.11
Ger Gov 2 yr	99.60	1.72	-0.08

	May 6	Apr 29	Wk's chg
Fed Funds Eff	0.09	0.09	-
US 3m Bills	0.02	0.05	-0.03
Euro Libor 3m	1.37	1.35	0.03
UK 3m	0.72	0.72	-

On FT.com today

Master builder

Geoff Cooper, Travis Perkins chief executive

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Comment

Political problems behind a not-so-secret meeting

Wolfgang Münchau

They cannot even organise a private meeting. How, then, can they solve a [illegible]ot crisis? The bungling of a not-so-secret gathering of finance ministers in Luxembourg on Friday night provides an object lesson in how the politics of eurozone crisis resolution is going wrong.

We learnt this from a leak to Spiegel Online. The German news site's story said Greece was considering leaving the eurozone, and that finance ministers were holding a secret meeting to discuss the issue. The story also offered the intriguing detail that Wolfgang Schäuble, the German finance minister, had a report in his briefcase warning him of the prohibitive costs of a Greek exit.

Earlier that Friday evening, the spokesman for Jean-Claude Juncker, the prime minister of Luxembourg who also has responsibility for finance, flatly denied that the meeting was taking place at all. That statement was obviously untrue. The meeting ended on Friday night with the announcement that there was no discussion on a Greek exit or a Greek restructuring. I very much doubt that this statement – or indeed any official statement on the eurozone crisis – was true either.

It is my understanding that this meeting, and numerous others preceding it, discussed the whole gamut of options, including, of course, a restructuring of Greek debt. But the fact that options are being discussed does not mean they are being pursued. I am fairly sure that Greece is not preparing to leave the eurozone, and that the European Union rejects an involuntary debt restructuring – for now that is.

The reason for the frantic diplomatic activity is that the eurozone is running out of easy options for dealing with Greek debt. There are valid objections to every proposal. An exit is too risky. A haircut – a loss for creditors on the outstanding principal – would kill the country's banking system and land the European Central Bank with losses approaching €100bn. A voluntary restructuring would not do enough to reduce the net present value of Athens' debt to a sustainable level.

I understand collateralised lending – swapping old Greek bonds into new collateralised debt at a discount – has also been discussed. This would subordinate every Greek bondholder, including of course the ECB. The option to swap bonds of the European financial stability facility, the rescue umbrella, into peripheral bonds has been explicitly rejected by Berlin. This would probably have been the cheapest option but Germany wanted to nip in the bud anything that smells of a eurozone bond.

Europe's elites are afraid to tell this truth: that a monetary union without a political union is simply not viable

The core issue in the eurozone crisis is not the overall size of the peripheral countries' sovereign debt. This is tiny relative to the monetary union's gross domestic product. The area's total debt-to-GDP ratio is lower than that of the UK, US or Japan. From a macroeconomic point of view, this is a storm in a teacup.

The problem is that the eurozone is politically incapable of handling a crisis that is now contagious and has the potential to cause huge collateral damage. The "grand bargain" – a series of institutional agreements on eurozone sovereign debt by the European Council in March – did not address the resolution of the current crisis. That process is starting only now. Those responsible have realised that, no matter which debt management option they choose, it will cost taxpayers hundreds of billions. It is highly unlikely states will accept fiscal transfers of such a size without imposing extreme conditions on one another.

The political reason this crisis goes from bad to worse is an unresolved collective action problem. Both sides are at fault. The tight-fisted, economically illiterate northern parliamentarian is as much to blame as the southern prime minister who cares only about his own backyard. The Greek government played it relatively straight but Portugal's crisis management has been, and remains, appalling.

José Sócrates, prime minister, has chosen to delay applying for a financial rescue package until the last minute. His announcement last week was a tragi-comic highlight of the crisis. With the country on the brink of financial extinction, he gloated on national television that he had secured a better deal than Ireland and Greece. In addition, he claimed the agreement would not cause much pain. When the details emerged a few days later, we could see that none of this was true. The package contains savage spending cuts, freezes in public sector wages and pensions, tax rises and a forecast of two years' deep recession.

You cannot run a monetary union with the likes of Mr Sócrates, or with finance ministers who spread rumours about a break-up. Europe's political elites are afraid to tell a truth that economic historians have known forever: that a monetary union without a political union is simply not viable. This is not a debt crisis. This is a political crisis. The eurozone will soon face the choice between an unimaginable step forward to political union or an equally unimaginable step back. We know Mr Schäuble has contemplated, and rejected, the latter. We also know that he prefers the former. It is time to say so.

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Cameron savours a double helping of luck

Bruce Anderson

David Cameron is a lucky politician. In 2010, he had two enormous helpings of good fortune. The first one came heavily disguised. He failed to secure an outright victory in the general election. At the time, it caused widespread dismay in the Conservative party. Many Tories have still barely forgiven Mr Cameron; they think that his campaign was insufficiently robust.

But suppose he had won a clear majority; 20 or 30 MPs, enough for a whole parliament. It would have been much harder for him to implement his radical programme of deficit reduction and domestic reform. His current coalition partners, the Liberal Democrats, would have been in opposition, vigorously deploring all the measures they are now tepidly defending. Vince Cable, the business secretary, frequently gives the impression that he is uneasy in office. As a prominent opposition spokesman, he would have been much happier in his own skin, and formidably effective.

Yes, Mr Cameron would have been able to use his Commons majority to bludgeon through legislation, but there would have been widespread public dismay, even unrest. Some of his own MPs would have been unhappy and there would have been trouble in the House of Lords. All governments depend on consent. By now, there would have been a growing sense that consent was being withdrawn. Instead, we have a forceful and radical government, using its first year to enact its most controversial measures, with an increasingly dominant prime minister benefiting from the absence of strong opposition.

There are two further factors.

His father told him there is nothing worse than a

Now Obama must lead on the deficit

Clive Crook

A rise in the headline rate of unemployment was not the ending President Barack Obama would have chosen for last week. The spectacular triumph of finding and killing Osama bin Laden boosted his poll ratings and set analysts calculating how he might use the event to seize the initiative in Washington. Within days, mixed signals from the labour market sent a reminder of what matters most to Americans between now and the next election. It's still the economy, Mr President.

Mr Obama deserves, and is getting, great credit for the operation to