FINANCIAL TIMES

COMPANIES & MARKETS

Friday April 3 2009

Grey Goose falters
Upmarket vodka brand loses market share **Page 16**

China's share rally
Why the market has picked up 33 per cent this year **Page 25**

Return of the zombies
GILLIAN TETT on a threat to economic recovery **Page 24**

News Briefing

BANKS
Banker Meinl released on record €100m bail
Prominent Austrian banker and society figure Julius Meinl (above) was released on record bail of €100m. He had been detained after Austrian prosecutors' questions over fraud claims surrounding a property group managed by a Meinl-run bank. **Page 15**

BoC's French deal ends
Bank of China's plan to acquire a stake in LCF Rothschild, a French private bank, collapsed after it, on Beijing's orders, tried to renegotiate the price. **Page 15; www.ft.com/worldview**

NON-LIFE INSURANCE
Swiss Re to cut jobs
Lossmaking reinsurer Swiss Re said it would cut 10 per cent of its staff – about 1,200 jobs – to try to cut costs and tackle tougher markets. **Page 15**

Greenberg joins critics
Hank Greenberg, ex-AIG chief, joined criticism of the $50bn payout to large international banks as part of the insurance group's federal bail-out. **Page 16**

Aviva wields axe at NUL
Aviva, UK's biggest insurer, is to shed 1,690 jobs at its Norwich Union Life arm. **Page 17**

GENERAL RETAILERS
Booker to tap India
UK wholesaler Booker will expand into India this year after securing a site for its first international cash-and-carry store in Mumbai. **Page 17**

MEDIA
German YouTube woes
German music fans have not been able to watch videos of some of their favourite artists on YouTube since Wednesday owing to a dispute over royalty payments. **Page 14**

US advertisers prepare
US advertisers are bracing themselves for regulatory changes that they fear will curtail their efforts to tap into the fast-growing online social media phenomenon. **Page 14**

ELECTRICITY
Centrica-EDF friction
Centrica and EDF of France are at loggerheads over the planned sale of a 25 per cent stake in British Energy, the nuclear generator bought by EDF last year for £12.4bn. **Page 17**

CHEMICALS
K+S claims top salt slot
German salt and potash group K+S said it would become the biggest global saltmaker by taking over US-based Morton for $1.7bn (€1.3bn), a deal driven by vendor Dow Chemical. **Page 15**

GENERAL FINANCIAL
TCI bets big on Japan
London hedge fund TCI is betting heavily on falling share prices in Japan by taking short positions in big companies there totalling more than $1bn (€743m). **Page 15**

AEROSPACE
Bombardier cuts jobs
Canada's Bombardier is to cut 3,000 more jobs – about 10 per cent of its aerospace workforce – in response to the recession in aviation. **Page 16**

US banks eye rivals' bad assets

Bailed-out institutions consider moves

Purchases would be test of public opinion

By Francesco Guerrera in New York and Krishna Guha in Washington

US banks that have received government aid, including Citigroup, Goldman Sachs, Morgan Stanley and JPMorgan Chase, are considering buying toxic assets to be sold by rivals under the Treasury's $1,000bn plan to revive the financial system.

The moves could be controversial because a key goal of the government's public-private partnerships, which provide generous loans to investors, is to help banks sell, rather than acquire, troubled securities and loans.

Participating in the plan as a buyer could be particularly complicated for Citi, which has suffered billions of dollars in writedowns on mortgage-backed assets and is about to cede a 36 per cent stake to the government as part of its latest bail-out.

Citi declined to comment. People close to the company said it was considering whether to take part in the plan as a seller, buyer or manager of the assets, but no decision had yet been taken.

Banks have three options if they want to buy toxic assets: apply to become one of four or five fund managers that will purchase troubled securities; bid for packages of bad loans; or buy into funds set up by others.

The government plan does not allow banks to buy their own assets, but there is no ban on the purchase of securities and loans sold by others.

"It's an open programme designed to get markets going," a Treasury official said. But he added: "It is between a bank and their supervisor whether they are healthy enough to acquire assets", raising the possibility regulators may prevent weak banks from becoming buyers.

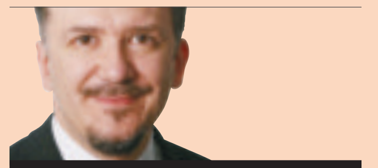
Wall Street executives argue that banks' asset purchases would help achieve the second main goal of the plan: to establish prices and kick-start the market for illiquid assets.

But public opinion may not tolerate the idea of banks selling each other their bad assets.

Goldman and Morgan Stanley have large fund management units, which raise capital both internally and from outside, and have pledged to increase investments in distressed assets.

This week, John Mack, Morgan Stanley's chief executive, told staff the bank was considering how to become "one of the firms that can buy these assets and package them where your clients will have access to them . . . I'd simply say we are all over it and we will continue to focus on investing in those areas."

Goldman and JPMorgan did not comment, but bankers said they were considering buying toxic assets.



John Authers
THE SHORT VIEW

Happy days are here again. The equity rally continues, in spite of the knock it sustained when the White House decided to get tough with Detroit. And the shift in sentiment is palpable.

Yesterday, the S&P 500, the world's most tracked index, traded above its 100-day moving average – the average of prices for the previous 100 trading days – for the first time since May last year. The FTSE 100, the FTSE Eurofirst 300 and the Nikkei 225 are also now trading above this trend line. Positive sentiment is running through stock markets in a way not seen since last spring.

Why? Attention was focused on the G20 meeting in London, which at one point seemed on course for a bad falling-out. Avoiding this did the market no harm. But other factors were more important.

Data continue to support the thesis that the steep decline for the world economy is slowing, even if recovery is not in sight. And after frenzied lobbying, US accounting regulators generously gave banks far more leeway over how they should price "toxic" assets on their balance sheets.

This does not change the actual value of those loans, and may even prolong the agony of working out how to stabilise the banking system, but it does make life easier for banks' managements.

The strength of the optimism is obvious from the bad news it overcame. Unemployment claims in the US yesterday hit a new high for this recession; today's official unemployment data could be awful.

And the European Central Bank administered a shock by cutting its main lending rate only to 1.25 per cent, not 1 per cent as widely anticipated. Had traders felt more bearish, this might have rammed home a message of the G20, that Europe's policymakers differ profoundly from their US and Asian counterparts on the risks now facing the world. But for now, they choose to feel happy.

www.ft.com/shortview

Coca-Cola myths are the real thing, says watchdog

By Peter Smith in Sydney

It must have seemed a good idea at the time. But Coca-Cola's decision to make an advertisement showing a popular actress busting the "myths" that the soft drink is fattening, teeth-rotting and overly caffeinated has backfired. Yesterday a consumer watchdog ruled the campaign "totally unacceptable".

The ad was published in Australia last October and featured Kerry Armstrong, the actress.

Called "Kerry Armstrong on Motherhood and Myth-busting", they referred to a number of "myths" about Coca-Cola and used the words: "Myth. Makes you fat; Myth. Rots your teeth; Myth. Packed with caffeine."

A week later, the US drinks group followed up with another ad that said: "We felt it was time to state the facts and to help you understand the truth behind Coca-Cola."

In this ad Ms Armstrong said: "Now that I've found out what's myth and what isn't, it's good to know that our family can continue to enjoy one of our favourite drinks . . . My boys now call me Mum, the Myth Buster!"

The Australian Competition and Consumer Commission has forced the drinks group to publish "corrective" ads in seven Australian national and state-based newspapers. Its decision is a blow to the brand reputation of Coca-Cola, which has a 56 per cent share of the Australian soft drinks market.

The watchdog said of the campaign messages: "[They created] an impression which is likely to mislead that Coca-Cola cannot contribute to weight gain, obesity and tooth decay. They also had the potential to mislead parents about the potential consequences of consuming Coca-Cola." The ACCC also said the ads had the potential to mislead by representing that "a responsible parent can include Coca-Cola in a family diet without any regard whatsoever to the potential for weight gain or tooth decay".

Coca-Cola has also agreed to review its compliance with Australia's trade practices laws. The drinks group said its intention had been to provide information to help "balance the debate about whether Coca-Cola can be a part of your life".

"We certainly did not intend our message to be misleading and we have been working with the ACCC to address its concerns," said Gareth Edgecombe, managing director of Coca-Cola South Pacific, the group's wholly owned local subsidiary.

Campaign canned: the drinks group was forced to publish 'corrective' ads in Australian newspapers
Getty

Regulator says non-US banks will miss out after accounts rule shift

By Jennifer Hughes in London

Banks following international accounting rules will not get the break awarded to their US rivals, the international standard setter announced yesterday.

The US Financial Accounting Standards Board agreed on a rushed change to its rules that relaxes "fair value" accounting by allowing banks more freedom to use their own valuation models, rather than current market prices, for assets where markets have become illiquid.

The rule change is expected to boost first-quarter profits of many banks by allowing managers to recalculate the value of some troubled assets.

But the International Accounting Standards Board, which sets rules for more than 100 countries including the European Union, has said that it would instead push forward with a full, faster review of how it accounts for financial instruments. A draft proposal is expected in less than six months.

"It is far better to undertake a fundamental reassessment than a standard that is widely recognised as being outdated," said Gerrit Zalm, chairman of the trustees that oversee the IASB.

FASB's sudden rule change came after pressure from the US Congress last month and intense lobbying by some corners of the financial sector. They have argued that fair value accounting has magnified the problems caused by market turmoil because the prices they have been forced to report are from distressed sales and do not constitute a real, objective market.

Fair value accounting has split the financial world for some time. Many bankers are in favour, while others have led the lobbying effort to change the rules.

Critics of the calls for change include investors who are considered the ultimate users of financial statements. They have warned that the FASB changes will undermine investor confidence by reducing the transparency of banks' balance sheets.

Others have criticised the political pressure that led to the change. In a letter to Congressman Paul Kanjorski released yesterday, a group of investment officials and analysts have warned that the pressure endangered the wider market.

"We are concerned that having seen Congress act in this case, special interests will pursue this avenue in the future to advance narrow agendas at the expense of the broader market," it said. "We believe that political interference will only serve to further destabilise confidence in the system."

Companies and sectors in this issue

Companies

3i Group....26
AIG....9,16
Adecco....16
American International Group....16
Aviva....17
Bacardi....16
Bank of China....15
Barclays....12
Bombardier....16
Booker....17
Bridgestone....15
British Energy....17
Carrefour....14
Centrica....17
Cessna....16
Citigroup....13
Coca-Cola....13
Comcast....14
Dell....14
Deutsche Börse....15
Deutsche Telekom....16
Diageo....16
Disney....14
Dow Chemical....15
Dresdner....12
EDF....17
Facebook....14
Fortis....4
GFI Group....16
Goldman Sachs....12,13
Gome....14
Google....14
Gulfstream....16
HSBC....12,25
Hawker Beechcraft....16
Icap....16
JPMorgan Cazenove....12
JPMorgan Chase....13
K+S....15
LCH.Clearnet....25
Lehman Brothers....4,9
Lenovo....14
Lloyds....12
London Stock Exchange....16,25
Meinl Bank....15
Mizuho....15
Monsanto....16
Morgan Stanley....12,13
Mothercare....17
NYSE Euronext....16
Olympus....15
Pernod Ricard....16
Royal Bank of Scotland....12
Santander....14
Sharp....15
Sony....15
Swiss Re....15
Taiwan Semiconductor Manufacturing....14
Tata Group....17
Telecom Italia....16
Telefónica....16
Tesco....17
TCI....15
Time Warner....14
Toshiba....15
Tullett Prebon....16
UBS....14
United Microelectronics....14
Vodafone....16
Wal-Mart....17
YouTube....14

Sectors

Aerospace....16
Banks....12,13,15,16,25
Beverages....13,16
Chemicals....15
Electricity....17
Electronic Equipment....14
Gen Financial....12,16
Gen Retailers....17
Investment Comp....15
Media....14
Nonlife Insurance....15,16,17
Travel & Leisure....17