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# Bitcoin and gold surge on bets that rates are set to drop

- Hopes of Fed cut fuel cross-asset rally
- End of crypto criminal cases lifts mood

SCOTT CHIPOLINA, STEPHANIE STACEY AND GEORGE STEER — LONDON

Bitcoin surged to its highest price in nearly 20 months while gold hit an all-time peak yesterday, as frenzied investor speculation that interest rates will fall next year rippled through assets across the globe.

The cryptocurrency soared to more than $42,000, also boosted by optimism that the toughest regulatory punishments for the industry have passed. It later fell back to $41,662, up 7.4 per cent on the previous day.

Gold rallied as much as 3 per cent to $2,135 per troy ounce yesterday, a new record, before slipping to $2,025 per troy ounce, according to LSEG data. The moves follow a recent rush into stocks and bonds, fuelled by expectations that the Federal Reserve will soon cut borrowing costs despite chair Jay Powell's assertion on Friday that it was "premature" to conclude that the central bank has won its battle with inflation.

> 'You look at bitcoin and gold and you see a very similar kind of evolution'
>
> Luca Paolini, Pictet strategist

"You look at bitcoin and gold and you see a very similar kind of evolution," said Luca Paolini, chief strategist at Pictet Asset Management. "All the asset classes that tend to do well when the Fed cuts rates aggressively are doing well."

Traders are betting the first rate cut could come as soon as March after a sharp decline in government and corporate borrowing costs as US bond markets enjoyed their biggest monthly rally in nearly four decades in November.

Lower yields on ultra-safe US Treasury debt have made other assets relatively more attractive to investors.

The S&P 500 index closed at its highest level since March 2022 last week, although it fell 0.6 per cent midway through yesterday's session.

Recent US economic data has been resilient even while inflation has fallen, further boosting risky assets like stocks.

Max Kettner, chief multi-asset strategist at HSBC, said that markets were in the grip of an "everyone-is-happy-Goldilocks rally" across "virtually all asset classes".

Traders said the momentum to buy bitcoin, whose value has climbed by more than a fifth in the past month, was also driven by growing interest among investors after the closure of two of the highest-profile criminal cases that had hung over the market for the past year. Last month the US successfully prosecuted Sam Bankman-Fried, the ex-chief executive of FTX, and Binance, the world's largest crypto exchange.

Bankman-Fried was convicted of fraud and Binance paid $4.3bn in penalties after pleading guilty to criminal charges related to money laundering and financial sanctions breaches.

But despite many traders' fears, US authorities did not shut down Binance.

"The message from many institutional investors was that they needed two things before looking at the space again: closure on FTX and clarity around Binance," said Henri Arslanian, co-founder of Nine Blocks Management, a crypto hedge fund manager based in Dubai.

Investors are also hopeful the SEC will approve an exchange traded fund for bitcoin in coming weeks.

The SEC has refused for a decade to approve spot bitcoin ETFs, stock market funds that invest directly in the cryptocurrency.

The market has long viewed spot bitcoin ETFs as a way to wrest control of digital assets from scandal-ridden crypto groups in favour of mainstream businesses such as BlackRock.

## Aircraft deal UBS sells Credit Suisse jet used by Horta-Osório during Covid rules breaches

The Dassault Falcon 7X has been bought by a Société Générale subsidiary for an undisclosed price — Robert Buche/Alamy

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

**UBS has sold the Credit Suisse jet that the collapsed bank's then-chair, António Horta-Osório, used when breaching lockdown rules to attend sporting events.**

The Dassault Falcon 7X was sold to a German subsidiary of French bank Société Générale that specialises in aircraft leasing, ownership documents seen by the Financial Times show. The price was not disclosed.

People with knowledge of the decision said the sale in recent weeks had been planned by the Credit Suisse team before its rescue by UBS this year. UBS executives have pushed through the sale after criticising Credit Suisse's high-risk-taking and high-reward culture.

Flight records obtained by the FT show that Horta-Osório used the jet to fly to London to watch the Wimbledon finals and the final of football's European Championships on the same day in July 2021.

Credit Suisse board probes of Horta-Osório's use of the bank's jets as well as at least two breaches of Covid travel curbs — including on the London trip — led to his departure as chair at the start of last year, after nine months.

Flight records show that the Falcon 7X was used on another trip investigated by the Credit Suisse board, where Horta-Osório accompanied another executive on a flight from Singapore to Zurich 10 days after the London trip. Horta-Osório suggested the jet stop in the Maldives on the way for refuelling, where he disembarked to join his family for a holiday.

> The then-chair used the plane to fly to London to watch the Wimbledon finals and the Euros

While his use of the company's jets angered some board members, an internal audit report seen by the FT found that it was in line with his predecessor's use and that any additional expenses had been repaid.

Among other owners of the Falcon 7X are Taylor Swift and former Formula One boss Bernie Ecclestone.

Credit Suisse was still the registered owner of another private aircraft, a Bombardier Global 7500 — once the most expensive corporate jet and dubbed the "Ferrari of the skies" — which was bought two years ago for more than $75mn, according to people familiar with the transactions.

People close to the company said Credit Suisse held the title to the aircraft through its aviation leasing division as security against financing provided to a client.

The Global 7500 is owned by celebrities including reality TV star Kylie Jenner, who has a pink model.

The aircraft — which has four living spaces including a private bedroom, seating area, dining room and cinema — can fly 7,700 nautical miles at a time, reaching altitudes higher than commercial jets, allowing for longer and faster flights.

UBS and Société Générale declined to comment.

## Roche to buy Carmot as weight-loss race heats up

DONATO PAOLO MANCINI

**Roche has agreed to buy anti-obesity drug developer Carmot Therapeutics for up to $3.1bn, as the Swiss pharmaceuticals group joins the charge into the market for weight-loss treatments.**

The acquisition of Carmot, which is based in Berkeley, California, hands Roche a series of assets based on glucagon-like peptide 1 (GLP-1) agonists, which were developed to help control blood-sugar levels in diabetics.

GLP-1s now underpin a weight-loss drug, Wegovy, developed by pharmaceuticals group Novo Nordisk. The Danish group and Eli Lilly dominate the fast-growing market for weight-loss treatments that analysts have estimated could be worth as much as $140bn.

Under the terms of the deal, Roche said that it would pay Carmot's shareholders an initial $2.7bn and a further $400mn, dependent on whether the start-up achieved certain milestones.

In May, hedge fund Millennium Management and asset manager Janus Henderson were among investors who backed a $150mn Carmot fundraising.

Roche's chief executive, Thomas Schinecker, said: "Obesity is a heterogeneous disease, which contributes to many other diseases that together comprise a significant health burden worldwide. By combining Carmot's portfolio [with ours] . . . we are aiming to improve the standard of care and positively impact patients' lives."

The potential size of the market for obesity treatments has left other drugmakers hurrying to catch up with Novo Nordisk and Eli Lilly, which have so far developed drugs that can only be injected. AstraZeneca and Pfizer are pursuing treatments in pill form.

Analysts have said that it will prove difficult for pills to achieve the same efficacy as injectable treatments, but Roche said it believed Carmot's assets had "best-in-class potential to achieve and maintain weight loss with differentiated efficacy", as well as the ability to be combined with other medicines it is developing.

Roche first tried to develop a drug using GLP-1s more than a decade ago, before ditching the attempt. The purchase of Carmot is the latest step by Schinecker, who took over as Roche chief earlier this year after previously leading the company's diagnostics division, to replenish its drug pipeline.

**See Lex**



## Europe's zombie banks are grappling with distinctive drawbacks

INSIDE BUSINESS
FINANCE
Patrick Jenkins

The seasoned banker said: "At business school they teach you a simple lesson. If a company is trading for a sustained period below the value of its net assets, it should be closed down or broken up."

A study by Boston Consulting Group, due to be published next month but foreshadowed at the FT's Global Banking Summit last week, shows that an extraordinary 73 per cent of Europe's banks are trading below their book value. The vast majority have been doing so for more than a decade.

Welcome to the realm of Europe's zombie banks.

These are no ordinary zombies. Unlike standard undead companies, sustained by years of ultra-low interest rates but now struggling with normalised funding costs, the opposite should be true of banks: margins on lending have been boosted by interest rates that have not been this high for 15 to 20 years.

Many European lenders have indeed been delivering healthy profits. Shareholder payouts relative to the banks' stubbornly low share price are running at more than 15 per cent, according to Mediobanca analysts, once you factor in share buybacks as well as dividends.

Yet investors are unmoved, seeing banks' current returns as unsustainable. Even among the few banks that have enjoyed substantial share price recoveries (UniCredit stock has doubled this year), valuations remain well below book value. (UniCredit's price-to-book ratio is 73 per cent.)

The break-up rationale, then, should still apply. It doesn't.

There have been involuntary, government-mandated break-ups — the UK's Northern Rock and Belgo-Dutch Fortis in 2008, for example. There have been some attempts at break-up by investors, particularly in the UK: HSBC was targeted by Knight Vinke more than 15 years ago and more recently by minority shareholder Ping An, the Chinese insurer. Later, Barclays was attacked by Edward Bramson's Sherborne. But nothing has come close to following the business-school textbooks.

It is not a wholly European problem. BCG's study shows that the low valuation problem afflicts more than a third of US banks and nearly all banks in parts of Asia. However, there is a particularly toxic cocktail of causes across the EU and in the UK.

> The cocktail of causes includes economic anaemia; but while the bear case is easy to make, there are reasons for cheer

The first weakness is the region's anaemic economic growth.

The second is the region's quixotic policymaking. Bank supertaxes have been imposed in several countries, as prolonged punishment for the damage they wrought in 2008 (as in the UK), or as a more recent response to higher profit margins (as in Spain). Italy's plan to impose a tax was revised to allow banks to boost reserves instead, but it is still blamed for spooking investors.

A third issue is breadth of operations. Their home European market is far more fractured as a result of the failure to create a proper EU single market. The EU's "banking union" remains only half-delivered and a proposed "capital markets union" is largely just a blueprint. This has ensured that even the most ambitious European group only has a significant presence in two or three EU countries.

A fourth differentiating drawback — relatively weak investment capacity — flows from the other three, but as the need to overhaul business models with artificial intelligence tools and other technology infrastructure intensifies, US banks are dwarfing their European rivals in terms of tech investment. All of this renders the bear case for Europe's banks easy to make, especially as loan defaults rise at this stage in the economic cycle.

Among the reasons for optimism is the apparently solid state of European bank capital, liquidity and supervision that prevails at UK and ECB-regulated banks. The springtime regional banks crisis in the US and the collapse of Credit Suisse did not infect the UK or eurozone.

Some opportunistic investors, such as London-based Toscafund, have made decent money on selective European bank picks.

"It doesn't matter that they're still below book value," says one investor. "If they go from 35 per cent of book value to 70 per cent of book, you still double your money."

If, over time, investors steadily see that balance sheets are solid and that the policy environment remains stable, and memories of past disappointments fade, Europe's banks may one day make it back to book value, finally expunging the zombie phenomenon.

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