

What's News

Business & Finance

- ◆ **The UAW's decision** to call a strike at a GM factory in Tennessee came as talks appeared to be nearing a conclusion, in the latest unexpected move by the union that has reached pacts with Ford and Stellantis. **A1**
- ◆ **Americans are still** on a prolonged spending spree fueled by a strong labor market, savings and rising home values, confounding economists' expectations of a recession. **A1**
- ◆ **Investors are pouring** billions of dollars into a battered long-dated Treasury bond fund operated by BlackRock in an apparent bet that yields have peaked. **A1**
- ◆ **With both Israel and** Ukraine at war, arms contractors are under pressure to step up production as Western officials worry the two countries could face a weapons shortage. **B1**
- ◆ **TikTok is asking** managers across the world to give more employees lower ratings in performance reviews, a move that staff fear could reduce bonuses and lead to layoffs. **B1**
- ◆ **A researcher at hedge fund** Two Sigma adjusted its investing models without authorization, the firm has said, causing losses in some funds, gains in others and regulatory scrutiny. **B1**
- ◆ **Bitcoin has touched** its highest level since May 2022 in a head-scratching rally that follows a summer of low volatility and trading volumes. **B10**
- ◆ **The St. Lawrence Seaway** is set to reopen Monday after a deal was struck to end a week-long strike by workers on the Canadian side of the route. **B5**

World-Wide

- ◆ **Israeli forces pushed** at least 2 miles into the Gaza Strip in moves that seemed designed to trap Hamas in the enclave's north, as the U.S. pressured Israel to end a communications blackout in the territory. **A1**
- ◆ **The scope of** Palestinian casualties in Gaza has become a controversy as the U.S. says it doesn't dispute that thousands of civilians have been killed, but doesn't trust figures published by a Hamas-run ministry. **A8**
- ◆ **Pence dropped out** of the race for the Republican presidential nomination after he struggled to gain traction in a field dominated by Trump. **A4**
- ◆ **Talks between the U.S.** and China led to an agreement in principle for a Biden-Xi summit in San Francisco next month, offering a chance to improve ties between the powers. **A7**
- ◆ **The Biden administration** is seeking new requirements for health insurers aimed at cutting out-of-pocket costs for mental health care, a proposal that the insurance industry opposes. **A6**
- ◆ **The number of migrants** from India illegally crossing the U.S. border has more than doubled, many of them asylum-seekers who oppose Modi. **A3**
- ◆ **Undergraduate students** working in dorms, libraries and dining halls are increasingly pushing to unionize. **A5**
- ◆ **The death toll** from Hurricane Otis, the strongest recorded storm ever to hit Mexico's Pacific coast, was raised to 43, with 36 people missing. **A7**
- ◆ **Died:** Matthew Perry, 54, a star of the TV sitcom "Friends." **A3**

JOURNAL REPORT

Wealth Management: Employee benefits you should be using. **R1-6**

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Palestinians in Khan Younis searched the rubble from Israeli airstrikes Sunday as Israeli ground forces pushed deeper into Gaza.

Israel Pushes Deeper Into Gaza Amid U.S. Pressure for a Pause

Israeli soldiers pushed at least 2 miles into the densely populated Gaza Strip Sunday in moves analysts said seemed

By *Stephen Kalin, Chao Deng and Omar Abdel-Baqi*

designed to trap Hamas in the enclave's north, as the U.S. pressured Israel to restore communications in the territory.

Israeli soldiers and tanks appeared to be taking up posi-

tions deep inside Gaza on Sunday, two days after Prime Minister Benjamin Netanyahu said the country was entering a new phase of the war. Tanks fired from Gaza's Mediterranean beaches, and soldiers moved across open and hilly ground, according to video the military released.

The latest moves suggest a war that is likely to last a long time, as Israel prepares to move deliberately in stages into Gaza. At the same time, Israel faces pressure from the U.S.,

and other Western countries, to minimize civilian casualties, which are continuing to mount.

Some evidence of Israel responding to U.S. pressure could be seen Sunday morning, when Israeli authorities restored internet and phone communications, after implementing a near-complete communications blackout on Friday night. Washington convinced Israel that communications needed to be turned back to allow the United Nations, World Health Organiza-

tion and other aid groups to coordinate with their staff in Gaza, a senior U.S. government official said.

In a call Sunday with Netanyahu, President Biden pushed for increasing the flow of humanitarian aid to Gaza and said that protection of civilians is a priority. "I reiterate

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- ◆ **Palestinian death toll remains a question.....** A8
- ◆ **Desperate U.S. citizens are stuck in Gaza.....** A9

Strong Jobs Market, Savings, Home Values Keep Spending Robust

By *RACHEL WOLFE AND AMARA OMEOKWE*

Americans' prolonged spending spree has confounded economists and resulted in a surging U.S. economy. What is keeping their feet off the brakes?

A strong labor market, resilient savings stockpiles and rising values of their homes have consumers feeling good and willing to spend. Despite complaints about high prices, they are taking their children to concerts, packing movie theaters, booking luxury vacations, buying cars and covering the costs of rent and dinners out.

Strong spending caused economists to be wrong about a 2023 recession, though they still predict cutbacks ahead.

There are signs that Americans' elevated spending habits aren't sustainable.

Some 60% of Americans said they have fallen behind on emergency savings this year, according to a Bankrate survey. In September, they saved 3.4% of their income, about half the rate they saved in the fall of 2019, the Commerce Department said. And long-term interest rates—which make it more expensive to buy homes and cars and to borrow

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Hard-Hit Treasury-Bond Fund Draws Buy-the-Dip Investors

iShares 20+ Year Treasury Bond ETF

By *JACK PITCHER*



One of the hottest investments on Wall Street is something of a surprise—it is a battered long-dated Treasury-bond fund.

Shares of the iShares 20+ Year Treasury Bond ETF are near a 16-year low and have shed more than half their value from their 2020 peak, but investors are piling in. They added more than \$2 billion to the fund last Tuesday and Wednesday alone, bringing its total inflows for the year to \$21 billion.

The roughly \$40 billion BlackRock fund, known by ticker symbol TLT, passively invests in long-dated U.S. Treasury bonds and currently

yields about 5%—in line with the 30-year Treasury bond. It has taken in more money than any other fixed-income, exchange-traded fund in 2023 and all but two equity funds.

What is unusual about investors' behavior is that fund flows almost always follow performance. In this case, though, some appear to be betting that yields are near their peak and set to fall, a debate that is raging on Wall Street and is key to the outlook for financial markets.

A fall in yields would be a win for TLT investors, some of whom may be buying because they hope the fund will reclaim its status as a haven in the event other parts of the

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At This Hot Party, the Honoree Might Chew the Decor

Dog birthdays are turning into elaborate social events. Results can be ruff.

By *WEILUN SOON*

Sitara Khan threw a beach party over the summer for her two-year-old, Chloe. Before anyone could even sing "Happy Birthday," Chloe and her six friends pounced and devoured the cake and its bright pink frosting.

"She 100% loved it," says Khan, a 30-year-old Canadian expatriate in Hong Kong. Chloe, a toy poodle, didn't take as well, however, to the party hat she was made to wear. The pooch shook it off within minutes.

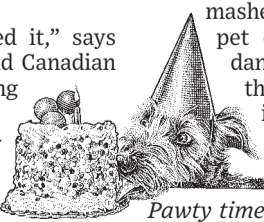
Dog birthdays—or "bark-days"—and dog-adoption anniversaries are turning into elaborate social events, with games, intricate rules for animals and owners alike, and

sumptuous special-ordered pet-safe treats. A YouGov survey in July of around 460 American dog owners found close to half have celebrated their pets' birthdays and given them birthday gifts.

Chloe's savory cake contained beef, carrots and mashed potatoes. The pet owners in attendance spent much of the afternoon relaxing, drinking beer and enjoying people-watching snacks, while the pups chase each other and play in the water. Khan says they just had to make sure the dogs weren't ingesting too much sand and stayed hydrated in the heat.

At District Dog, a dog bakery and pet-supplies store in

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Pawty time

The Hunt for Crypto's Most Famous Fugitive

After a \$40 billion crash, Do Kwon hopped across continents

Fallen crypto tycoon Do Kwon was ready to get out of Montenegro. He and his colleague arrived at the small

By *Alexander Osipovich, Jiyoung Sohn, Weilun Soon and Drew Hinshaw*

Balkan country's main airport, where a Bombardier business jet was waiting to take them to Dubai.

Inside the VIP terminal, Kwon handed his passport to an immigration officer, who swiped it. An alert flashed across the officer's screen. Kwon, it said, was the target of an Interpol red notice—a request to police around the world to arrest him.

Kwon had been lying low

in the Balkans for months, but his luck was running out. About two hours earlier that day, March 23, a tipster had separately warned Montenegro's top cop, Interior Minister Filip Adžić, that Kwon was likely in the country.

The tipster sent Kwon's passport details to the interior minister's phone, according to Adžić, who recounted the arrest for The Wall Street Journal. When Adžić called the border police chief, officers had just detained Kwon at the airport.

"Do you know who that person is?" the interior minister said he told the chief. "He is famous and he has a lot of money."

U.S. and South Korean au-

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INSIDE



OBITUARY

Matthew Perry, who shot to stardom on TV sitcom 'Friends,' died at age 54. **A3**



SPORTS

Michigan pulls offer for Jim Harbaugh in the wake of a sign-stealing scandal. **A14**



U.S. NEWS

Electricity Price Hike Fuels Furor In Wyoming

BY DAN FROSCH

For years, people in Wyoming have been accustomed to paying some of the lowest electricity prices in the U.S., despite harsh winters and a rugged landscape.

Now a 29% increase proposed by the state's largest utility has residents and local leaders up in arms. Many in Wyoming, which leads the nation in coal production, are aiming their fury at renewable power.

At packed public meetings in recent weeks, residents and officials have laid the blame for the rate increase on projects such as the wind farms sprouting up around the sparsely populated state. But the utility, Rocky Mountain Power, says the actual culprit is rising fuel prices.

Across the U.S., electricity prices are on the rise, driven by factors including inflation, drought and a global supply shortage worsened by the war in Ukraine.

Few places have seen as furious a backlash as Wyoming, where some lawmakers and residents have suggested if the rate increase goes through, officials should take drastic action. "I'm not too sure that the state shouldn't take over your business, buy you out and deliver the electricity to our people," Republican State Rep. Bill Allemand said at a hearing, referring to Rocky Mountain Power.

Coal plants accounted for about 71% of the electricity produced in Wyoming in 2022, down from a peak of 97% in 2003 but still second highest in the nation behind West Virginia, according to the U.S. Energy Information Administration. Wind power's share more than doubled from 2019 to 2022, reaching 22%.

Rocky Mountain Power says renewable energy is saving money for its 150,000 customers in a state prone to high winds. The company says it needs to raise utility bills an average of about 21% to help pay for higher coal and natural gas, as well as to offset the impact of drought conditions on hydroelectric generation. It is also seeking a temporary 7.6% hike through mid-2024 to pay for a sudden surge in fuel prices last year caused by extreme weather.

Regulators this past week began to consider the proposed increases, which would cost an average of \$19.08 monthly for each residential customer, according to the utility. The percentage is higher than those being considered in other states, but would leave Wyoming residents with lower-than-average costs for the nation, Rocky Mountain Power said.

Still, local officials say the price increase would be financially untenable for many.

"A lot of our community are on fixed income, older, retired or small families. An extra \$20 a month is hard on them," said Leah Juarez, the mayor of Mills, a town of about 4,400.

Wyoming's AARP, which has gathered over 5,000 signatures against the proposal, said the impacts would be devastating to the state's older residents. "First, they'll get hit by increases in their electric bills. Next, they will see an increase in the cost of everything else they buy, as Wyoming businesses will pass increased power costs on to Wyoming consumers," said Sam Shumway, who heads the group's state office.

In filings and statements, Rocky Mountain Power, a subsidiary of Western utility **PacifiCorp**, said it hadn't raised rates in Wyoming since a 1.1% increase in 2020. It called the new proposal reasonable in light of a \$500 million rise in its net power costs since then.

"Net power costs for the company are akin to gasoline for a gas station," said Gary W. Hooegeven, Rocky Mountain Power's president and chief executive, in a public filing last month. "If a gas station's third-party suppliers raise their cost, the gas station will pass that increase to its customers."

Hooegeven said Rocky Mountain Power's renewable projects, including wind farms and new transmission lines, have helped avoid an additional 65% increase in net power costs.

Indians Trek Into U.S. at Record Level

BY TARINI PARTI

After the second time Arshdeep Singh, a supporter of a Sikh political party in Punjab, was threatened by men he believed were affiliated with India's ruling Bharatiya Janata Party, his father made arrangements for him to leave the country.

Singh's 40-day journey this past summer from his village in Punjab, in northern India, to Fresno, Calif., was guided by voices of men he had never met on a cellphone. Every few days, they sent him digital boarding passes of his flights and instructions on where to meet the next local smuggler.

The 23-year-old is one of the record number of asylum seekers from India who are traveling across the world to the U.S.-Mexico border and contributing to the struggles the Biden administration is facing in curbing the surge in illegal border crossings.

Roughly 42,000 migrants from India have crossed the southern border illegally during the fiscal year starting last October through September, according to data compiled by U.S. Customs and Border Protection. That is more than double the number from the same period the prior year, when crossings by Indians hit a historical high. An additional 1,600 have crossed from the northern border illegally—four



A man with Samaritans Without Borders gave out snacks and water to migrants near Lukeville, Ariz., in August.

times the number who crossed in the last three years combined.

Since 2007, the total number of illegal border crossings by Indians in a fiscal year has exceeded 5,000 only four times. Indians nearly always turn themselves in to Border Patrol, rather than being arrested while evading capture, because they want to ask for asylum in the U.S.

Singh said he flew from New Delhi to Hungary, where he was kept in a small room for 10

days and given a few pieces of bread and some water. From there, he flew to France, then to Mexico City, where he said he was locked in a room for another week. After another flight and a long bus ride, a man in a pickup truck closed the distance to the U.S. border, he said.

He crossed into California, starving and weak, and was taken to a processing center where he saw several others who had made a similar journey from his home state.

A combination of factors has led to the significant jump in migrants crossing the U.S. border illegally from India. Prime Minister Narendra Modi's Hindu nationalist policies are driving out some residents. Success stories from those who have made the trip and found jobs are circulating on social media. There has also been an influx of smugglers masquerading as travel agents across villages, especially in the northern states of Punjab and Haryana.

Administration officials say migration from India and other countries outside the Western Hemisphere has made it more difficult to stem the flow of illegal entries at the U.S. border. The U.S.'s lack of established relationships with those countries on immigration makes it slower and more expensive to deport those migrants.

Overall, arrests for illegal border crossings surpassed two million at the end of the 2023 fiscal year, making it only the second time they have crossed that mark. The first time was in 2022.

"It really is pointing to this huge trend of mass migration worldwide," said Colleen Putzel-Kavanaugh, an analyst for the Migration Policy Institute, a Washington think tank. "We're seeing that people from other countries are making their way to the U.S. border, when traditionally they haven't."

For the first time this year, migrants from countries other than Mexico, Guatemala, Honduras and Ecuador, where the U.S. has typically seen asylum seekers, are expected to have a slight majority when the total arrests of migrants illegally crossing for the fiscal year are broken down by nationality, Putzel-Kavanaugh said.

Deepak Ahluwalia, an immigration lawyer who represents Singh, said he is seeing an increasing number of political and religious persecution asylum cases from India, especially from the Sikh community.

Many Indian migrants are also coming to the U.S. for economic reasons, which don't qualify them for asylum, saying in videos posted on social media and in interviews after being deported back that the lack of well-paying jobs made them desperate to leave.

Roughly 80% of the migrants from India are single adults, and most are coming through Arizona after taking what are coming to be known as "donkey flights" via countries that don't require visas for Indian nationals or that have an easier process for obtaining travel visas.

Some have died during the journey, including Gurupreet Kaur, a 6-year-old girl from Punjab who perished in the Arizona desert in 2019. Two sets of families of four from Gujarat also died crossing the northern border in the past two years.

Bound by Sorrow, Maine Residents Come Together



GRIEVING: Parishioners gathered for a Holy Cross Church service Sunday in Lewiston, days after a man shot dead 18 people and injured 13 at two locations, in the worst mass killing in the state's history. The suspect, 40-year-old Robert Card, was found dead Friday from an apparent self-inflicted gunshot wound.

'Friends' Star Had Wry Wit, and a Personal Struggle

BY CHRIS KORNELIS AND CHAVIE LIEBER

Matthew Perry, the Emmy-nominated "Friends" star, has died. He was 54 years old.

The actor was found unresponsive in a Jacuzzi at his home, according to Los Angeles police officials. The cause of death is still under investigation by the coroner's office.

Los Angeles Police Capt. Scot Williams, head of the Robbery Homicide Division that is investigating Perry's death, said the cause of death may not be known for some time, "but at this point foul play is not suspected."

Perry shot to stardom on "Friends," an NBC comedy about six friends living in New York, from 1994 until the series finale in 2004. The TV show, with Perry playing the sarcastic Chandler Bing, became one of the most watched sitcoms of all time, turning Perry and his costars—Jennifer Aniston, Courteney Cox, Lisa Kudrow, Matt LeBlanc and David Schwimmer—into household names.

"Friends" became one of the defining cultural artifacts of the '90s that carried into the 2000s as its stars and their characters grew up and out of their overalls and baggy khakis. Its final episode in



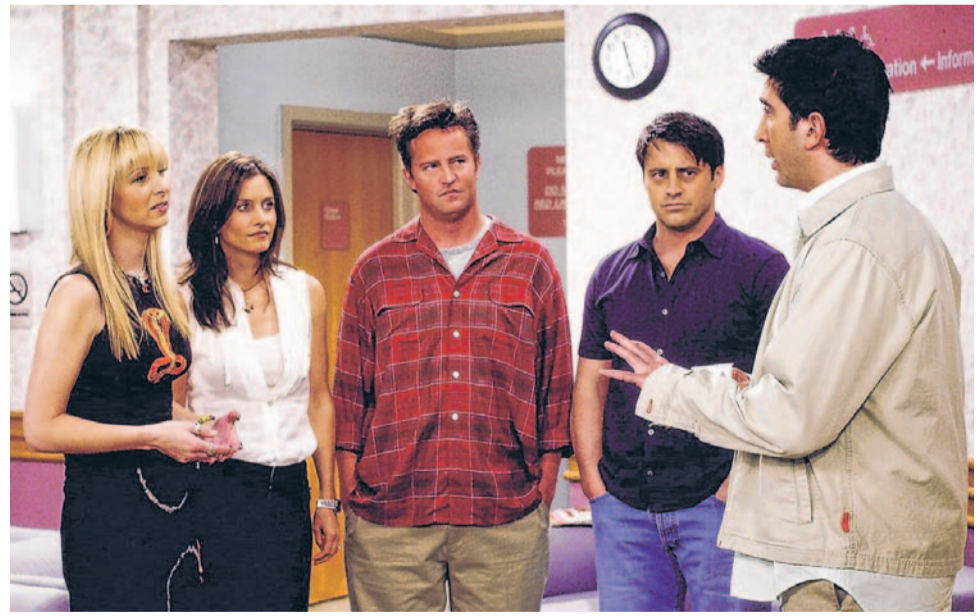
Matthew Perry in November 2022, above, and as part of an ensemble cast on the hit show 'Friends,' which became one of the defining cultural artifacts of the '90s.

2004 was seen by more than 52 million viewers, one of the largest audiences for a series finale ever.

Perry was nominated for an Emmy as outstanding lead actor in a comedy series in 2002 for his role.

"He brought so much joy to hundreds of millions of people around the world with his pitch perfect comedic timing and wry wit. His legacy will live on through countless generations," NBC said.

"Matthew was an incredibly gifted actor and an indelible part of the Warner Bros. Television Group family," the company said.



Perry released a memoir last year, "Friends, Lovers, and the Big Terrible Thing," about his time in Hollywood and his struggles with drinking and drug addiction.

Its gossipy revelations about Hollywood and its straightforward honesty about his substance abuse struggles made it an instant bestseller.

Over the course of the show's 10-year run, none of the cast members performed as much or as often in front of the eyes of viewers as Perry, who later said he fluctuated between 128 and 225 pounds while making the show.

"You can track the trajec-

tory of my addiction if you gauge my weight from season to season," he wrote in his 2022 memoir. "When I'm carrying weight, it's alcohol; when I'm skinny, it's pills. When I have a goatee, it's lots of pills."

Perry was born in the U.S. but moved to Canada with his mother following his parents' split when he was a baby, according to IMDb. He lived in Canada until he was a teenager, when he went to live in the California home of his father, an actor and model.

Canadian Prime Minister Justin Trudeau, who went to school with Perry, said he was

shocked by the news of the actor's death. "I'll never forget the schoolyard games we used to play, and I know people around the world are never going to forget the joy he brought them," he wrote on X, formerly known as Twitter.

—Joseph Pisani and Suryatapa Bhattacharya contributed to this article.

Watch a Video

Scan here for a video on the death of 'Friends' star Matthew Perry.

U.S. NEWS

Speaker Took On Conservative Cases for Years

Mike Johnson was in a Louisiana courtroom in June 2015 defending tighter abortion restrictions adopted by the state when phones flashed with

By Laura Kusisto,
Mariah Timms and
Scott Patterson

alerts that the Supreme Court had just recognized a constitutional right to same-sex marriage.

Johnson dashed out of the ongoing proceedings to publicly criticize the decision, said opposing counsel Ilene Jaroslaw, who was representing abortion providers in the case. It was a moment, she said, that underscored the depth of Johnson's zeal for conservative legal cases.

"Damn, you're in federal court. You don't just get up and leave," she said.

While Johnson, a 51-year-old lawyer selected by Republicans last week as the new House speaker, is relatively new to Congress, he spent more than 15 years in the conservative legal trenches, battling over some of the nation's most-contentious social issues—with mixed success. Representing conservative and religious clients, he argued against abortion rights and gay rights and advocated for a less-rigid separation of church and state, including in a case that sought tax credits for a biblical theme park. He would later play a key role in former President Donald Trump's long-shot legal efforts to overturn the 2020 election results.

Former legal colleagues and opponents alike said they weren't surprised to see the mild-mannered Johnson rise



During his legal career, now-Speaker Mike Johnson sought and won the right for a Noah's ark-themed tourist attraction in Kentucky to receive tax credits.

to the top in a prolonged and bruising GOP battle to become House leader. As an attorney, he was courteous and personable. But those who faced off against Johnson said his affability belied his aggressiveness in seeking to advance the objectives of Christian conservatives.

His beliefs, they said, ran so deep that he often seemed willing to take on cases, including advocating for school prayer and religious portraits in courtrooms, where legal precedent was against him.

"He was arguing positions that, as far as I'm concerned, could not possibly have won," said Marjorie Esman, former



executive director of the American Civil Liberties Union of Louisiana.

Johnson, a Louisiana State

University law graduate, spent about eight years at the Alliance Defense Fund, which later became the Alliance Defending Freedom, a conservative legal nonprofit that won recent Supreme Court victories overturning *Roe v. Wade* and granting First Amendment protections to a Colorado web designer who refused commissions for same-sex wedding announcements.

Johnson worked at the organization during its pioneer years, defending anti-sodomy laws and bans on same-sex marriage. As an ADF spokesman, he penned a 2004 guest column in *The Times*, the local paper in his hometown of

million a week in lost profit.

At Ford, the strike is expected to cost it about \$1.3 billion in pretax profit this year.

Shares of all three companies sold off on Friday. Ford's stock fell 12% following its third-quarter earnings report Thursday evening that fell short of analysts' expectations.

GM negotiators bargained with the union into the early morning hours

on Saturday and were back at the table in the afternoon. The sides were closing in on final terms as of late Friday, people with knowledge of the talks said.

If approved by members, the tentative contracts at Ford and Stellantis would mark the union's biggest gains in decades.

At the same time, auto executives have warned that a too-rich labor agreement could hurt

Shreveport. In it, he supported a proposed Bush administration constitutional amendment banning same-sex marriage, saying such unions would cause "chaos and sexual anarchy" and "place our entire democratic system in jeopardy."

His office didn't respond to requests for comment.

Johnson won the theme park case, which centered on the availability of tax credits for a Noah's ark-themed tourist attraction in Kentucky, after the state withdrew tax incentives over concerns the project had become overtly religious. Johnson, then at his own law firm named Freedom Guard, represented the project sponsor, creationist group Answers in Genesis. He argued the exclusion of AiG from the state's tourism-development program on the basis of its religious beliefs was unconstitutional.

In the Louisiana abortion case, Johnson, representing the state, defended a law that required doctors at abortion clinics to have admitting privileges at a nearby hospital, which providers said was designed to close clinics and undermine abortion access. The case eventually landed at the Supreme Court, which ruled against the state in 2020. Two years later, a more-conservative high court overturned *Roe v. Wade*.

In Congress, Johnson has continued to put his legal background to work, representing Trump as a House attorney in the first impeachment trial about the former president's attempt to pressure Ukrainian President Volodymyr Zelensky to investigate rival Joe Biden.

Pence, Low In Funds And Polls, Quits Race

By ALEX LEARY
AND JOHN MCCORMICK

Former Vice President Mike Pence withdrew from the Republican presidential race Saturday, saying "this is not my time" after he struggled to gain traction in a crowded field dominated by former President Donald Trump.

"I'm leaving this campaign but let me promise you I will never leave the fight for conservative values," Pence said during a speech before the Republican Jewish Coalition in Las Vegas.

Pence, 64 years old, became the highest-profile candidate to exit from the race. He fared poorly in polls and ran low on money needed to sustain a campaign.

The former vice president pulled in just \$3.4 million during the third quarter of the year and it was unclear whether he would meet the Republican National Committee's requirements for fundraising and polling to participate in the third GOP primary debate in Miami on Nov. 8.

Additional departures are possible in the final months before the Jan. 15 Iowa caucuses, the first nomination balloting and an event likely to trigger more exits from the race. The former president has benefited from a large field that has divided up the non-Trump vote within the party.

Pence's certification of the 2020 election results during the early morning hours of Jan. 7, 2021, in defiance of Trump and after a mob attacked the Capitol, was one of the biggest reasons his nomination bid faltered. Trump backers have never forgiven what they see as a betrayal, while anti-Trump Republicans still blame Pence for being a supplicant the previous four years.

As a result, neither wing of the GOP backed a man who spent decades courting conservatives and would have been viewed as a top Republican contender in a pre-Trump world. Reporters often asked Pence more about Trump and related legal matters than his policy proposals.

Pence announced his decision at the end of a speech before Jewish activists in which he rejected growing isolationism in the GOP. While Republicans are advocating strong support for Israel in its war against Hamas, they are split on continued funding for Ukraine.

"We always knew this would be an uphill battle, but I have no regrets," Pence said.

UAW Uses Surprise In Strike

Continued from Page One

preceding days. About 4,000 workers at the Spring Hill factory assemble three Cadillac SUV models, as well as engines that get shipped to other GM plants.

The UAW's tentative agreement with Stellantis moved the union one step closer to ending a historic strike that has dinged all three automakers and put more than 45,000 workers on the picket lines for six weeks.

The terms of the deals at Ford and Stellantis largely mirror one another on core economics.

On Sunday night, UAW leaders rolled out the additional details of the Ford contract during a livestream.

Among some of the new specifics are a breakdown of the pay raises, which including cost-of-living increases would boost starting pay from about \$18 an hour to \$30 an hour and the top wage to about \$42 an hour by the end of the agreement in 2028. Skilled trades workers would make about \$50 an hour if the new agreement is ratified.

Union bargainers additionally secured \$8.1 billion in investment commitments for Ford factories over the next four years, ensuring job security for members at those sites.

"We went to Ford with a goal of not leaving a dime on the table, and we accomplished that," Fain said Sunday night.

The proposed contract also offers a \$5,000 ratification bonus, a bump in the 401(k) contribution from 6.4% to 10% for production workers and other perks, such as a \$1,500 car voucher toward a new-vehicle purchase.

The UAW said it won a path to put one battery plant in

Michigan and another new electric-vehicle assembly factory in Tennessee under the master UAW contract if future workers there agree to join the union. Ford paused construction on that battery operation last month. UAW leaders didn't mention the other battery plants Ford is building through joint-ventures with South Korean battery maker SK On.

In executing strikes at all three companies simultaneously, the union broke with historical practice by targeting specific factories at each rather than an all-out walkout at one automaker.

The strike began in mid-September and expanded as Fain called additional walkouts.

The financial toll of the factory shutdowns is mounting for the companies. GM last week said the strike is costing it \$200

The financial toll of factory shutdowns is mounting for automakers.

the companies' financial futures as they spend billions of dollars to convert their lineups to electric vehicles and catch up with Tesla, whose factories aren't unionized.

At Ford, Chief Financial Officer John Lawler said Thursday during the company's earnings call that the proposed contract could add between \$850 to \$900 per vehicle in labor costs.

Similar to the Ford agreement, the proposed deal with Stellantis provides more in overall base wage increases than company workers have received in the past two decades. The temporary agreement includes a right to strike over product and investment commitments, a first for the union, the UAW said, and it reduces the amount of time for workers to reach the top wage by more than half, to three years.

In a significant win, the UAW secured the reopening of an assembly plant in Belvidere, Ill. Stellantis said in December that it would indefinitely close the 1,350-employee factory.

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U.S. NEWS

Undergraduate Students Push to Unionize

By ALYSSA LUKPAT

CAMBRIDGE, Mass.—Undergraduate students who work in dorms, libraries and dining halls are starting to unionize.

The effort has played out at a handful of liberal-arts colleges such as Harvard University, where students voted last week to form a union, but interest is also increasing at larger public universities. University of Oregon student workers voted overwhelmingly this month to create a union.

Galvanized by graduate-student unions and a nationwide increase in organizing

across industries, undergraduates say they want better workplace conditions. Organizers seek higher pay, protections against layoffs and shifts more compatible with their school schedules.

University administrators have tried to stall efforts and said unions aren't necessary because workers are primarily students and not employees. The schools say they will work with unionized staff.

Harvard student organizers launched their unionization drive last year. Harvard's graduate-student union, formed in 2018, offered counsel and financial support.

Syd Sanders, a 21-year-old senior, said he realized Harvard needed a union last fall, when his cafe barista job was canceled after he spent weeks in unpaid training.

"Oh my God, this is not OK," he recalls thinking. "We need to organize." He scrounged for shifts until landing a bartending job at a Harvard pub the next semester, where he now makes \$18 an hour.

The undergraduate organizers say they want Harvard to equalize pay across similar jobs—right now, they say, there's a wide range in how much workers earn—and offer better protections against dis-

crimination and sexual harassment.

Harvard declined to voluntarily recognize an undergraduate workers union, necessitating a vote overseen by the National Labor Relations Board, a federal agency. The university has said it wanted every student to have the opportunity to vote.

The student workers voted 153-1 in favor of the union, paving the way for about 500 students to join a unit of the United Auto Workers.

When asked if Harvard planned to contest the result, which it has a week to do, spokesman Jonathan Palumbo

said, "I have not seen anything that would indicate that to be the case."

Jason Newton, a Harvard spokesman, said the university looked forward to negotiating with the union in good faith.

Undergraduate unionization efforts picked up last year as pandemic interruptions subsided, graduate students paved the way and unions nationwide became more active.

Graduate and undergraduate students have formed 30 collective bargaining units, representing more than 30,000 people, in the 18 months through June, said

William A. Herbert, the executive director of the National Center for the Study of Collective Bargaining in Higher Education and the Professions at Hunter College, compared with 16 units formed in the five years before.

More than 90% of those workers are graduate students, whose union push increased after a 2016 NLRB decision backed their right to do so. Undergraduate labor organizers won't all get to reap benefits from the unions they helped form—contract negotiations can take years, and the students may graduate before securing a deal.

U.S. WATCH

WASHINGTON, D.C.

Gag Order Against Trump Reinstated

A federal judge late Sunday reinstated a gag order barring Donald Trump from publicly criticizing prosecutors, potential witnesses and court staff involved in the criminal case charging him with conspiring to overturn the 2020 election.

With the ruling from Judge Tanya Chutkan, the order returns to effect and raises the specter of sanctions for Trump if he is found to violate its terms. Trump's lawyers are expected to ask a federal appeals court to intervene immediately and put a hold on the restrictions while they challenge the gag order.

A lawyer for Trump didn't respond to a request for comment. Chutkan's full opinion wasn't immediately available.

Chutkan had originally imposed the gag order earlier this month during a contentious court hearing in Washington, where prosecutors and Trump's lawyers clashed over limiting the former president's speech as he mounts another White House run.

—C. Ryan Barber

FLORIDA

Shooting Kills 2, Leaves 18 Injured

A fight between two groups turned deadly in Florida when a shooting in a Tampa street during Halloween festivities resulted in two deaths and 18 people hospitalized early Sunday morning, police said. One suspect is in custody and at least one more is being sought.

At least two shooters opened fire just before 3 a.m. in the Ybor City area, Tampa Police Chief Lee Bercaw said.

The fight occurred in an area with several bars and clubs, and there were large numbers of late-night revelers in the area at the time.

One person was detained but no charges were immediately filed.

—Associated Press

EDUCATION

Gender Gap Seen In Graduation Rate

Girls and boys attend the same classes with access to the same programs, and even come from the same families. But girls are consistently outperforming boys, graduating at higher rates at public high schools around the U.S.

The gap between them is wide, often as wide as the achievement gap between students from affluent and low-income families, a problem that officials have tracked closely for years. The reasons why boys are falling short aren't as clear.

Interviews with students, educators and researchers point to several factors. Men generally can earn the same wages as women with less education. But boys also are more likely to face discipline knocking them off track, and they don't pursue help as often when they face mental-health challenges.

Some boys are fine when they first drop out, landing jobs providing steady incomes. But studies show young men who drop out of high school earn less over their lifetimes and are more likely to end up in jail.

More than 45,000 fewer boys than girls graduated from high school in 2018, according to an estimate based on data available from 37 reporting states.

—Associated Press



GREEN JOBS

Pennsylvania Governor Shapiro tours Pratt Industries' recycled box factory with Chairman Anthony Pratt who pledged to **double his investment in Pennsylvania to \$1 billion**



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U.S. NEWS

Insurers Bristle at Mental-Health Plan

By Stephanie Armour

Many consumers with insurance are forced to pay hundreds and even thousands of dollars a year for mental-health care despite a 15-year-old law that is supposed to make such treatment as affordable and accessible as any other type of medical care.

Now the Biden administration wants to impose new requirements on insurers that it says would reduce out-of-pocket costs for mental-health care and substance-use-disorder treatment. The insurance industry is firing back, arguing the proposal would drive up prices and set impossible-to-meet standards.

The Biden administration proposal would make insurers collect and analyze data to ensure that certain insurance provisions—denial of coverage, for

example, or requirements that consumers obtain insurance approval before treatment—aren't posing barriers to mental-health treatment compared with other types of medical claims.

Insurers say the proposal imposes costly mandates and does nothing to alleviate a provider shortage that has thwarted some of the industry's efforts to attract more in-network mental-health providers. The costs of the requirements to insurers would be \$291 million in the first year and about \$118 million in subsequent years, according to the proposal.

"The proposed regulations have significant legal, policy, and operational flaws and should not be finalized," said AHIP, a trade group for the insurance industry, in a comment letter to the administration. "Perhaps more importantly, the proposed rules will not achieve

the goals of increasing access to mental-health care or substance-use-disorder treatment."

The standoff underscores the challenges of fixing cracks in the U.S. mental-health-care system when its infrastructure is already strained by rising demand for treatment.

In the waning days of the Covid-19 pandemic, three in 10 adults reported symptoms consistent with anxiety and depression, according to KFF, formerly the Kaiser Family Foundation. Ninety percent of adults believe the country is facing a mental-health crisis.

But 55% of people with mental illness—or about 28 million individuals—receive no treatment, according to a recent survey by Mental Health America, a nonprofit focused on mental health.

"Many people pay entirely out of pocket, and those who

can't often go without," said Jennifer Snow, national director of government relations and policy at the National Alliance on Mental Illness, a mental-health organization. "We have mental-health parity on paper but not in practice."

A landmark law, the Mental Health Parity and Addiction Equity Act of 2008, helped curtail arbitrary annual limits imposed by insurers on mental-health coverage. Insurers aren't supposed to put such limits on mental-health visits if they don't also have similar limits on doctor visits for a chronic condition like asthma. They also aren't supposed to impose higher copayments and deductibles or more restrictive prior-authorization requirements for mental-health care.

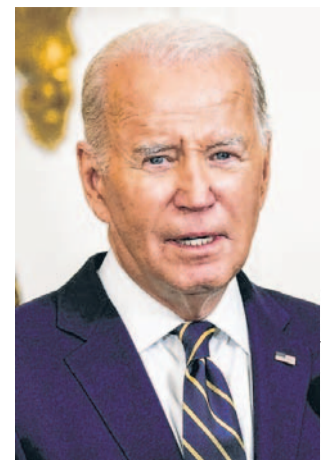
But the promise of out-of-pocket parity remains far more elusive. The reasons are com-

plex: There is a shortage of mental-health clinicians, with an estimated 350 individuals for every one mental-health provider, according to Mental Health America.

Those who are in practice often eschew insurance participation because they generally get lower reimbursement rates compared with other types of medical providers.

Reimbursements for primary-care providers in 2017 were almost 24% higher than reimbursements for behavioral health, according to a report by Milliman, a provider of actuarial and related products.

Robyn Caruso, a licensed marriage and family therapist in Los Angeles, says she takes insurance but gets paid significantly less than patients who self-pay. "There are a lot of administrative costs too, such as billing," said Caruso. "You get



The Biden administration seeks new rules for insurers.

less reimbursement, and it takes more time."

Under the proposal, insurers would have to provide the comparative analysis on mental-health coverage to regulators upon request. If the administration determines there is a disparity, insurers would have 45 calendar days to come into compliance.

FROM PAGE ONE

Buy the Dip Traders Pile Into Fund

Continued from Page One market falter. It could also brighten the appeal of rate-sensitive sectors like technology stocks.

"Just in the last week we've seen flows start to come in, and I'm expecting that to pick up as investors look for signs that we may be topping out in yields," said Steve Laipply, global co-head of iShares fixed-income ETFs at BlackRock.

If yields begin to fall, investors in long-dated bonds will benefit from price appreciation. Because longer-duration bonds are the most sensitive to interest-rate moves, they will appreciate faster if rates fall and decline faster if they move higher.

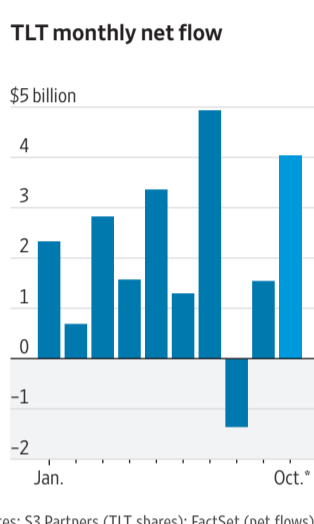
TLT has become the center of the action for investors big

and small to bet on the path of bond yields or simply add exposure to long-dated bonds. Anyone with a brokerage account can buy the shares.

Its size, liquidity and the robust options market around the fund have made it a favorite tool of Wall Street traders for its ease, versus buying and selling the underlying bonds. The fund has attracted significant long and short bets in recent months.

The bulk of the fund's flows this year are likely from investors looking to boost their fixed-income exposure to take advantage of higher yields, Laipply added. The 30-year Treasury yield was as low as 3.5% in April of this year, before marching above 5% in recent days.

Ten of TLT's 12 busiest days by trading volume on record have occurred since the latest Federal Reserve meeting on Sept. 20, according to Dow Jones Market Data. All eyes will again be on Fed Chair Jerome Powell when he speaks on Wednesday at the conclusion of the central bank's November meeting for any clues



about the interest-rate trajectory. He recently suggested that the run-up in long-term Treasury yields could allow the bank to pause its rate-increase campaign.

For Michael Price, a recently retired 58-year-old financial adviser in Toledo, Ohio, the 10-year Treasury yield's climb above 5% was a signal to take some cash out of money markets to lock in similar yields for longer.

Price had more than 80% of his portfolio invested in stocks for most of his career but has used his retirement and the recent pickup in yields as a chance to trim his equity exposure to about 60%, he said.

"My money market is paying 5% right now, but I don't know if that will be the case five years from now," Price said. "I think it does make some sense to try to reach a bit longer."

In addition to owning a short-duration bond fund, Price recently set up a Treasury bond ladder and bought shares of BlackRock's TLH, a cousin of TLT that has a 10- to 20-year Treasury duration.

The potential reward of buying long-dated government debt is becoming more attractive to some investors. If yields were to fall half a percentage point from Thursday's levels, investors in a 30-year on-the-run U.S. Treasury would get a 13% total return over the next 12 months between price appreciation and interest payments, according to an analysis from Genoa Asset Management. A 1-percentage-point drop in yields would lead to a 23% total return.

A move in the other direction would be fraught.

"You're still taking significant risk. Yields could go to 5.5 or 6%, and that's going to hurt," said Alex Chaloff, chief investment officer at Bernstein Private Wealth Management. "I like the phrase 'T-Bill and chill' until Powell signals otherwise."

Treasuries are traditionally

viewed as a haven that can rally when investors are nervous about other markets or geopolitical events. The outbreak of war in the Middle East and the potential for further escalation of the Israel-Hamas conflict, for example, could make bonds look more attractive.

So far, however, those buying the dip in TLT have yet to see rewards. Short sellers, who profit when shares they are betting against fall, have made a collective \$426 million betting against TLT this year, according to data from S3 Partners. About 10% of total shares are sold short currently.

Hedge-fund manager Bill Ackman was among those betting against long-duration bonds, though he recently exited from the trade, he said last Monday on X, the social-media platform formerly known as Twitter.

"There is too much risk in the world to remain short bonds at current long-term rates. The economy is slowing faster than recent data suggests," he wrote.

The Rise of The Fancy Pup Party

Continued from Page One Brooklyn, N.Y., owner Bea Boado Maher believes dogs can sense when something special, in their honor, is in the works. "Like, they get the idea," she says. "I mean—I am convinced my dog knew when it was her birthday."

Nicola Sohrabkhani, who founded and runs London Dog Party Company, says she has planned dog pawties—as the events are known—for actors, entrepreneurs and celebrities at châteaux in the south of France, on Hollywood sets and at private estates around the world.

Well before the events, Sohrabkhani requires each human guest to fill out a ques-



A group photo of Nahuel, a cavapoo, and friends at his birthday party in Australia, above left; toy poodle Chloe surveys her treats, above right.



A group photo of Nahuel, a cavapoo, and friends at his birthday party in Australia, above left; toy poodle Chloe surveys her treats, above right.

tionnaire disclosing allergies, eczema, or other health issues, and any past dog-encounters that have left them jittery. The dog owners are also surveyed about their pets, including

their dogs' propensity toward barking and biting.

At the parties, London Dog Party Company separates the dogs into groups by size, and assigns dog minders to each

group. Sohrabkhani also has a dog trainer and a dog behavior therapist on-site to handle unforeseen issues. Each dog owner, meanwhile, is issued a buzzer the size of an espresso saucer. If Sohrabkhani's staff sees a dog behaving untowardly, they will ping the owner and the buzzer will vibrate and emit a red light. The pet owner must then consult with staff and help calm the situation.

London Dog Party Company also sets up quiet corners, set off by a picket fence and adorned with flowers, where nervous pooches and introverted human guests can take a timeout. Party tunes includes soothing classical music—Tchaikovsky's ballet numbers are a favorite—to calm nerves.

recently celebrated the sixth birthday of their dog, Rufus, with a picnic on the gardens of Hampton Court Palace, an elegant London building constructed in the 16th century.

"We wanted it to be a perfect day for him, with all of his favorite things," says Cross, a 28-year-old content creator.

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neck tie, and his dog friends dressed similarly. They wandered about sniffing each others' butts, munching on treats and taking leisurely dips in the pool. The dog owners and their pets posed for photos in a bright pink cardboard photo booth that resembled a Barbie toy box.

A bit of party drama broke out: Two canine guests didn't get on so well, so their owners took turns locking up each dog in the apartment so the other pooch could enjoy the party for a short while, says Chen.

"Dogs are like people," he says, of the drama.

Nahuel, a cavapoo in Australia with more than 11,800 Instagram followers, had a birthday party this year at a dog-daycare center in a Sydney suburb.

His owner, Maria Elena Ceballos, paid for some of Nahuel's friends to spend half a day at the center and attend his party—without their owners.

The dogs munched on vegetarian cupcakes and treats, and posed for a group photo with a human in a dog suit.

Ceballos, who is in her mid 50s and runs a dog-supplies online store, says it was easier than hosting an outdoor shindig with people present. "If I'm doing it in a park, it's going to be stressful because there will be humans there and I need to take champagne," she says.

Amy Cross and her partner

recently celebrated the sixth birthday of their dog, Rufus, with a picnic on the gardens of Hampton Court Palace, an elegant London building constructed in the 16th century.

"We wanted it to be a perfect day for him, with all of his favorite things," says Cross, a 28-year-old content creator.

Rufus paddled in the water at the edge of the River Thames, and played with sticks and a ball. His owners prepared a mini shepherd's pie for his dinner, a beef sausage with a candle on it, and five presents wrapped in tissue paper.

"His favorite part is just ripping all the paper up," says Cross, who came prepared with a bag to collect the shredded tissue.

Kenzo, a young Labrador retriever, celebrated his first birthday with seven siblings from the same litter. Their owners connected via a WhatsApp group, and arranged to meet at a water park for dogs in Singapore.

Ho Yew Mun, Kenzo's owner, was eager to reunite the pups, even though they didn't seem to remember each other when they met.

The party was going well until Kenzo went to the pool, squatted and relieved himself. That sparked a mad rush "to contain the spillage and then to clean up the pool," recalls Ho, a 49-year-old doctor.

He didn't blame the pooch. "Dogs get excited," he says.

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WORLD NEWS

Antisemitism Floods Chinese Social Media

Acrimony grows as Beijing strengthens pro-Palestinian stance during war

By LIYAN QI

As war erupts between Israel and Hamas, a wave of antisemitic comments is sweeping through China's social media.

In recent days, searches and mentions involving the phrase "anti-Jew" skyrocketed on the Chinese app WeChat. On news stories about the Middle East turmoil, some comments have ranged from outright threats against Jews to negativity directed at anyone defending Israeli actions in the conflict. Influencers on Chinese social media who identify as Jewish have found themselves trolled by online mobs.

The acrimony has reached as far as "Schindler's List," the 1993 movie about a German industrialist who tries to save his Jewish employees from the Holocaust. In recent days, the film was hit with a flood of bad reviews on video-streaming site Bilibili and movie-review platform Douban. Some reviewers said they had changed

their mind about the movie since the recent violence had occurred. "I used to like the movie, but now it looks more like a story about the farmer who saved the snake," one Bilibili commenter said.

The rising anti-Jewish sentiment on social media dovetails with Beijing's more pronounced support for the Palestinian cause since the war began and its distancing of itself from Israel, a U.S. ally.

China, which has sought to portray itself as a neutral party and peacemaker in global hot spots, has called for a cease-fire in the Mideast conflict. Wang Yi, China's foreign minister, who has been engaged in a flurry of diplomacy since the war broke out, urged his Israeli counterpart in a call on Oct. 23 to "respect international humanitarian law and protect the safety of civilians." In a separate call to the foreign minister of the Palestinian Authority, Wang expressed "deep sympathy over the difficult situation in Palestine, and especially with the people of Gaza."

Beijing hasn't condemned Hamas's attack on Israel on Oct. 7.

"You may find all types of comments on social media in



A wall, unveiled in 2014, displays names of Jewish refugees in Shanghai in the 1930s and 1940s.

this information age. But ultimately, it is what the government of a country says officially that counts," said Liu Pengyu, a spokesman for the Chinese Embassy in Washington. "We believe the pressing priority is to de-escalate and prevent a more serious humanitarian disaster from happening" he said, adding that China hopes a resolution of the conflict will address "all parties'

legitimate security concerns."

Since the Oct. 7 attack, China's government-run media have focused on the Israeli response, sometimes with selective or incomplete information. State media reporting on a hospital explosion in Gaza have mentioned Palestinian claims that Israel was behind the attack but not intelligence and video footage suggesting the opposite: that the hospital

was hit by a failed rocket meant for Israel.

As a result, many social-media attacks have been driven by footage of injured children and other horrors in the aftermath of the hospital blast.

"Bombing a hospital and killing children is genocide. Forget all the movies and shows about Jews' sufferings," a user wrote in a comment on Chinese microblogging plat-

form Weibo, which received nearly 4,000 likes.

Partly what makes the wave of resentment notable is China's history as an occasional haven for Jews. During World War II, thousands of Jews fleeing persecution in Europe ended up in Shanghai as well as the northern city of Harbin. In the discussion of where to establish a Jewish state in the aftermath of the war, both were mentioned as possibilities. To this day, remnants of synagogues are reminders of the connections.

Matt Trusch, a Jewish American fund manager focused on real-estate projects who lived in Shanghai for more than a decade, said he often encountered stereotypes about Jews in China, usually framed in positive terms, with admiration of Jews as being good at business, but said he has never seen this level of resentment.

Trusch has been posting videos in Mandarin on the video-sharing site Douyin, the Chinese version of TikTok, to debunk some of the stereotypes. His top video about friendship between Chinese and Jewish people, posted last year, attracted more than eight million views.

U.S. and China Agree in Principle to Holding Biden-Xi Summit

By CHARLES HUTZLER

WASHINGTON—China and the U.S. moved closer to holding a summit between President Biden and Chinese leader Xi Jinping after months of careful diplomatic maneuvering to repair ties.

Two days of meetings between Biden, members of his national security team and Chinese Foreign Minister Wang Yi recently yielded "an agreement in principle" for a summit in San Francisco next month, a U.S. official said Sat-

urday. China's Foreign Ministry, in its assessment of Wang's meetings, said, "The two sides agreed to work together to achieve a meeting of the two heads of state in San Francisco."

A summit, should it occur, offers the U.S. and China a moment to reboot ties that earlier this year went into free fall and remain fractious as the two powers continue a global rivalry. Talks between Biden and Xi are the most important channel for setting the tone and agenda in the

countries' relations, according to officials on both sides, especially for China's top-down driven system.

The consensus reached during Wang's Washington meetings Thursday and Friday falls short of an ironclad guarantee of a summit, another U.S. official said. The U.S. is hosting an annual gathering of Pacific rim leaders in San Francisco in mid-November, providing a convenient time for a separate Biden-Xi summit.

With three weeks to go, Beijing is concerned that the

U.S. might do something—such as approving an arms sale to Taiwan—that would embarrass Xi or make sitting down with Biden politically difficult at home, according to Chinese officials. Earlier this month, the Biden administration toughened restrictions on semiconductor exports to China that Beijing has decried as economic containment.

Washington and Beijing are at odds over a lengthening list of issues from Taiwan, a U.S. partner under military pressure from China, to control of

advanced technologies and Russia's war on Ukraine.

In the latest Middle East crisis, Beijing has presented itself as an alternative to the U.S., refusing to condemn Hamas for its attacks on Israel, given more full-throated backing for a Palestinian state and vetoed U.S. resolutions at the U.N. Security Council.

Both the Israel-Hamas war and the South China Sea came up in Foreign Minister Wang's meetings with national security adviser Jake Sullivan and Secretary of State Antony

Blinken, as did Taiwan, according to official U.S. and Chinese accounts.

U.S. officials have said they don't expect Beijing to guarantee Xi's participation in a summit and at the Asia-Pacific Economic Cooperation leaders' meeting until shortly before the events. Chinese officials have been preparing for Xi to do so, booking hotel rooms in San Francisco, officials said, and Xi has sent unmistakable signals he's interested.

—Andrew Restuccia contributed to this article.

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WORLD NEWS

Palestinian Death Toll Remains a Question

U.S., Israel say Hamas is exaggerating, while U.N. says numbers may be undercounted

Three weeks into Israel's massive bombing campaign in the Gaza Strip, the exact scope of Palestinian casualties has become yet another controversy after President Biden questioned statistics published by the Hamas-run Gaza health authorities.

By Yaroslav Trofimov, Margherita Stancati and Abu Bakr Bashir

The Gaza-based Palestinian Health Ministry said Sunday that the death toll is at 8,005, including 2,062 women and 3,324 children, information it says is based on data compiled by hospitals. The United Nations, which verified and documented deaths in previous conflicts in Gaza, says it is unable to do so now because of the sheer scope of violence.

Some U.N. officials, however, say the real number of casualties is likely significantly higher because the health ministry's tally doesn't include people still under the rubble.

Voluminous video and photo evidence coming out of the coastal enclave leaves little doubt that the Israeli airstrikes campaign, launched in response to the deadly Hamas attack on Oct. 7, has exacted a steep toll on Palestinian civilians.

The White House said Thursday it doesn't dispute that thousands of Palestinians have been killed. A senior Israeli official told the Journal he believes "several thousand" Palestinians have died in Gaza, but said that thousands among them were Hamas combatants. Neither the U.S.



A Palestinian man in southern Gaza's Khan Younis grieves next to the bodies of his daughter and wife killed in Israeli strikes.

nor Israel have their own tally or a way to independently count the casualties in Gaza.

The Biden administration says its doubts about the veracity of Palestinian statistics were triggered by the Oct. 17 blast at the Al Ahli Hospital in Gaza. The Gaza Ministry of Health quickly put the number of deaths there at 500, later revised to 471, and blamed Israel for what it called a "massacre."

U.S. intelligence officials put the number of fatalities in that incident at the lower end of 100 to 300 people. The Gaza Health Ministry says it still stands by its original statistics.

"The numbers are not reliable. They're just not reliable," John Kirby, National Security Council coordinator for strategic communications, said on

Thursday. "I would frankly recommend you don't choose numbers put out by an organization that's run by a terrorist organization."

In the two other large wars since Hamas seized control of Gaza from the Palestinian Authority in 2007, however, the overall numbers of the Ministry of Health largely aligned with statistics compiled by the U.N. and Israel. The Palestinian toll for the 50-day war between Israel and Hamas in 2014 was 2,310 people according to the Ministry of Health, 2,251 people according to the U.N. and 2,125 people according to an Israeli government investigation.

Despite Hamas's political control in Gaza, many of the doctors and bureaucrats compiling the statistics are not

affiliated with the Islamist movement and the past accuracy of casualty statistics gives credence to current numbers, some officials with the U.N. and with nongovernment organizations say.

"We believe that the numbers being reported in Israel and in the occupied Palestinian territories, they may not be perfectly accurate on a minute-to-minute basis but they grossly reflect the level of death and injury on both sides of the conflict," Michael Ryan of the World Health Organization's Health Emergencies Program said at a recent news conference.

The Gaza Ministry of Health numbers don't differentiate between civilians and combatants. But the ministry's

current statistics indicate a much higher proportion of women and children among the fatalities of the continuing Israeli bombing campaign than in the 2008-2009 and the 2014 wars.

While adult males accounted for 62% of the deaths in 2014 and 61% in 2008-2009, according to U.N. data, they make up only 34% of fatalities in the current conflict, according to the Gaza Ministry of Health. Israel disputes this breakdown.

In response to U.S. questioning, Gaza health authorities on Thursday released the names of the 6,747 dead whose identity healthcare workers were able to confirm. A further 281 people remained unidentified at the time of the

report's release and were buried in mass graves.

"We have to document any killed person who comes to the hospital. We number them all," said Marwan Abusada, a senior surgeon at Al Shifa Hospital in Gaza who is also the director general of international cooperation at the Palestinian Ministry of Health. "But we still have a number of people under the rubble, we don't know how many. We estimate 1,000."

The near-total communications blackout in Gaza, with the severing of mobile phone and internet connections that began Friday, is likely to make the collection and verification of casualty numbers even more difficult. Some communications were restored Sunday.

Doctors and residents of Gaza say the current Israeli bombing campaign, with as many as 400 strikes a day, is by far more intense and indiscriminate than anything the Palestinian enclave experienced in the past—one explanation for the much higher proportion of women and children among the casualties.

The toll of the Gaza war is currently being investigated by the U.N. Commission on Human Rights, which will make its findings public at a later stage, a spokesman for the commission said.

Hospitals contacted by The Wall Street Journal in Gaza confirmed they have received thousands of corpses and said that children account for a large proportion.

Gaza's biggest hospital, Al Shifa Hospital, said children made up around 38% of the 2,241 deaths the hospital reported to authorities through Thursday. At Kamal Adwan Hospital, 70% of the roughly 300 deaths it reported so far to local authorities were children.

—Suha Ma'ayeh contributed to this article.

Israel Intensifies Gaza Push

Continued from Page One ated that Israel has every right to defend its citizens from terrorism and a responsibility to do so in a manner consistent with international humanitarian law which prioritizes the protection of civilians," Biden wrote on the X platform.

In recent days, the White House has also embraced the idea of humanitarian pauses, which stops short of a ceasefire. National-security adviser Jake Sullivan said on Sunday that the U.S. is prepared to

support humanitarian pauses so that hostages held by Hamas can be released safely.

"A humanitarian pause would be a good thing to get hostages out," Sullivan said on CBS. "But you can bet that Hamas will try to use that time to their advantage as well."

The Israeli ground invasion is expected to focus initially on Gaza City, where much of Hamas's infrastructure and weaponry is believed to be located, said Mairav Zonszein, a senior analyst on Israel-Palestine at the International Crisis Group think tank. Israel's leaders have said the main war aim is the destruction of Hamas as the ruler of Gaza, where it came to power 17 years ago.

Israeli forces have to go in deep to access the group's extensive underground-tunnel network, she said. "There al-

ready is and will likely be a long-term ground invasion," she added, but what it can realistically achieve "is still in question and constantly evolving."

Israel's military has been silent about its strategy and tactics, but a growing part of the country's security establishment has called for what Naftali Bennett, the former Israeli prime minister, called "strategic patience." On Sunday, Bennett said the army should encircle Hamas in Gaza City, where much of its infrastructure is believed to be based, and lay a long-term siege, instead of sending forces into urban combat quickly.

"Make the passing time work in our favor," he said on X, formerly known as Twitter. "We have all the time in the world."

A siege in the north could ensnare tens of thousands of civilians who haven't fled to the south. Israel has largely cut off food, water, fuel and electricity for the two million residents of the territory. Israeli leaders have said it won't be a short campaign.

The Israeli military advances happened on the same day Netanyahu apologized for a social-media post blaming Israeli intelligence agencies for failing to warn him of plans for the Oct. 7 attacks by Hamas that led to the war. He deleted the post after lawmakers and journalists quickly condemned him for it.

As the north of the Gaza Strip increasingly turns into a battlefield, Israel has urged Palestinian civilians to move south. But Palestinian and international observers have said the frequent airstrikes, destroyed infrastructure and dwindling supplies are hindering movement within Gaza and taking a heavy toll on noncombatants, including children.

Thousands broke into U.N. food warehouses in central and southern Gaza, the organization said Sunday, taking wheat flour and other basic items such as hygiene supplies. The raided facilities included one holding supplies from aid trucks that had recently arrived from Egypt, the U.N. said.

"This is a worrying sign that civil order is starting to break down after three weeks of war and a tight siege on Gaza. People are scared, frustrated and desperate," said Thomas White, a director at the U.N.'s agency for Palestinian refugees.

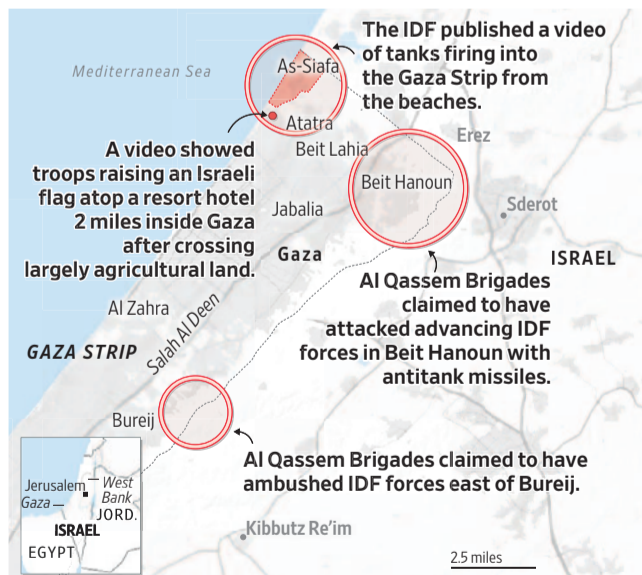
Just over 80 trucks have brought supplies into Gaza since the conflict broke out on



Israeli troops gathered near the Gaza border before entering the Palestinian enclave on Sunday.

Israeli incursions in Gaza

Reported Israeli clearing operations



Oct. 7, which the U.N. has warned is a fraction of the enclave's needs. Israel on Sunday said aid deliveries to southern Gaza would expand.

Rami Hijjo, a former humanitarian worker in Gaza and a father of three, said people were selling their belongings and even fighting to get water. He said he couldn't find any bread on Sunday. He said he was planning to go to the bakery on Monday at 5 a.m. to stand in line and get one pack of bread that will last him for a day. On other days, he will try to buy water.

Abdallah Abuwarda, a 30-year-old master's student at the University of Wyoming, was able to speak with his family after some communications were restored in Gaza.

"I am so relieved to know that they are alive," Abuwarda said. "I was worried sick about them."

Some of his family has stayed put in northern Gaza, while his wife and children are sheltering now with relatives in the southern town of Khan Younis. "The situation in the north is more terrible than

ever," he said.

The Palestine Red Crescent Society said it had been told by the Israeli military to evacuate Gaza's al-Quds Hospital, a demand it said was impossible to meet. Red Crescent spokesman Raed al-Nims said there were patients on life-support machines as well as 12,000-14,000 displaced people taking refuge there.

The Red Crescent Society later said Israel conducted airstrikes near al-Quds Hospital, forcing patients, medical staff and displaced people to evacuate the hospital and causing damage to some departments.

The Israeli military, which declined to comment on al-Quds Hospital, said separately that it is planning to increase humanitarian assistance to Gaza this week—and is preparing a zone in the southern region of Khan Younis it said could accommodate hundreds of thousands of Palestinians displaced by the military operations.

The U.N. opposes the forcible movement of civilian populations, and aid groups have raised concerns about humanitarian relief being used to encourage mass displacement.

The Hamas-controlled Gaza Health Ministry says more than 8,000 people have been killed in Gaza since fighting began, a majority of whom are women and children. The U.S. and Israel acknowledge that thousands of people have been killed in Gaza, but have expressed doubts about the accuracy of Hamas numbers on civilian casualties.

—Saeed Shah, Suha Ma'ayeh, Menna Farouk and Austen Hufford contributed to this article.

RUSSELL WILSON

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WORLD NEWS

Desperate U.S. Citizens Are Stuck in Gaza

By STEPHEN KALIN

Last summer, Hazem and Sanaa Shafai traveled to Gaza from their longtime home in Massachusetts so that their three U.S.-born children could live near the rest of the family for a year, practicing Arabic and learning about their Palestinian heritage.

Now the family is sheltering in a United Nations school near the Egyptian border as Israel wages an intense campaign of airstrikes it says is aimed at dismantling Hamas, the Palestinian militant group that carried out a series of attacks that Israel says killed 1,400 people in southern Israel on Oct. 7.

On Friday night, Israel's bombardment intensified amid widespread blackouts of internet and cellular services, reducing the chances that U.S. diplomatic efforts would succeed in getting foreigners out of Gaza. Some communications were restored Sunday.

American Zaena Shaath huddled with her father, brother and sister—all U.S. citizens—at a friend's home in Rafah. She said she was the only one in her family who still had intermittent service, and described intense bombing and fears that they could be killed at any moment. "This needs to

end now," she said late Friday. Hazem, who moved to the U.S. about 30 years ago and owns a grocery store near Cape Cod, Mass., said he wants Washington to pressure Egypt and Israel to help get him and his family out.

Gaza ordinarily has one border crossing for people into Israel and another into Egypt. Border officials from those countries coordinate with officials in Gaza, which is controlled by Hamas.

In the first two weeks of the war, the Shafais said they relocated within Gaza four times and survived at least three close calls from Israeli bombs. "You never know if you're going to be hit or not," said Sanaa, 36. "Right now, we are staying in a place that we hear bombs every five minutes."

Between 500 and 600 American citizens are stranded in Gaza, according to U.S. authorities, who have been trying to secure a deal with Israel, Egypt and Hamas to allow them to leave.

Another dozen Americans are believed to be among more than 200 people kidnapped during the Hamas assault on Israel who are being held hostage by militants in Gaza.

Secretary of State Antony Blinken said recently that the



Palestinians with dual nationality waited earlier this month near the Rafah border crossing, hoping to get to Egypt.

government is working "virtually every single day" to try to get U.S. nationals out of Gaza and accused Hamas of blocking them from leaving.

A Hamas official in Qatar denied the group was responsible for foreigners not being able to leave and blamed Israel for limiting freedom of movement in and out of the territory. The official said coordination with Egypt was needed for the Rafah crossing to be operational again.

The Israeli military declined to comment. Israel's government has long said Hamas embeds itself among the civilian population. Prime Minister Benjamin Netanyahu accused

the group of using human shields.

Egyptian Foreign Ministry spokesman Ahmed Abu Zeid denied that Cairo was obstructing the entry of third-country nationals. He blamed repeated Israeli bombings and the lack of a Palestinian presence to administer the other side of the crossing.

Complex negotiations aimed at allowing Americans and others to leave, as well as to free hostages, involving the U.S., Israel, Hamas, Egypt and Qatar, have at times become entangled with parallel efforts to get humanitarian aid into Gaza and Israeli planning for a ground offensive.

Asked if the State Department regarded the Americans stuck in Gaza differently than those abducted by Hamas, spokesman Matthew Miller told reporters Thursday: "It is factually a different situation than being held under armed guard as a captive."

Another American stuck in Gaza is Yousof Abu Shaban, an 18-year-old engineering student born in Michigan. He said he suffered a severe shrapnel wound to his jaw when a bomb dropped on his family home in Gaza City on Oct. 18. His 14-year-old sister, Joud, was killed in the attack, and their blind father was also injured.

In a phone interview from his hospital bed in Gaza, Abu Shaban said he blamed the U.S. government for his family's suffering and said it ought to guarantee the safety of Americans on both sides of the conflict "wherever they are and by any means."

He said he and his family had traveled to Rafah twice in the week before the airstrike that injured him, after U.S. diplomats also told them it might open. But the border crossing wasn't open either time.

—Anas Baba, Dion Nissenbaum and Abu Bakr Bashir contributed to this article.

War Disrupts 'Island of Peace' at SodaStream

By JENNIFER MALONEY

In a factory in Israel not far from the Gaza border, Jews and Arabs have for years worked side by side making SodaStream seltzer machines for homes around the world.

Together, the colleagues feasted at Ramadan and lighted candles for Hanukkah. They visited one another's homes and attended the weddings and funerals of their co-workers' family members. Throughout past conflicts in the region, they have called their workplace an "island of peace."

That harmony is now being tested.

"I hope that we can come back together. If we do not, that will be a very big mistake," said Nabil Bsharat, a recycling manager at the factory who is Palestinian and hasn't been able to go to work from his home in the West Bank since Hamas attacked Israel in early October. Bsharat, 49 years old, said he normally oversees 10 employees, including Ethiopian Jews, Persian Jews, Arab Bedouins, and Palestinians from the West Bank.

"The sad thing is that now all suffer from both sides," said Bsharat, who has worked at SodaStream for 13 years.

SodaStream's presence in the region has put it in the middle of controversy over the years. A prior SodaStream factory, located in the West Bank, sparked calls for a boycott of the brand.

The current factory is in the Negev Desert in southern Israel. The Gaza border is about 20 miles away. Before the Hamas attacks on Oct. 7,



In 2019, SodaStream hosted a meal to break the Ramadan fast at its factory in Israel.

the SodaStream facility had about 1,500 employees, roughly a third of them Bedouin. More than 100 were Palestinians based in every day from the West Bank.

The factory is now operating with about two-thirds of its usual staff, the company said. At least one SodaStream employee has been killed, and one has been taken hostage. Other staffers have lost close family members, including a Bedouin employee whose son was killed when a rocket struck their home.

Many SodaStream workers were evacuated from their homes or called up by the Israeli reserves. Like Bsharat, some other Palestinian staffers from the West Bank haven't been able to come to work because border crossings into Israel have been closed.

SodaStream was founded more than a century ago in the U.K. and later moved to Israel. PepsiCo bought the business in 2018. SodaStream has weathered past Israeli-Palestinian conflicts. But this crisis is different from any the company has faced before.

SodaStream employees who were evacuated from their homes in southern Israel were relocated to hotels in more secure areas. The company provided them with food, toiletries and other essentials. Two managers volunteered to host displaced employees in their homes. Other workers have cooked meals, made deliveries to employees' families and helped with child care.

"The thing that we're focused on right now is very much the safety of our colleagues and their families,"

PepsiCo's finance chief, Hugh Johnston, said.

Colleagues have stayed in touch by WhatsApp, checking in on one another, offering support and sharing advice about how to shield their children from violent images on the news, Bsharat said.

SodaStream's "island of peace" arose from a labor shortage.

In 2008, the company needed more workers for its factory, which was then located in the Israeli-occupied West Bank. But the company couldn't find enough Israelis willing to take the factory jobs.

Many residents of Gaza and the West Bank are Palestinian refugees from past conflicts with Israel or the descendants of those refugees. SodaStream decided to hire Palestinians who lived near the factory in

the West Bank. The decision made some of its Israeli employees nervous.

SodaStream decided that all employees at the factory—Israelis and Palestinians—would go through security checks at the entrance.

A few Israeli employees quit because they didn't feel safe working alongside Palestinians.

The experiment appeared to work. When the factory held a candle-lighting ceremony for Hanukkah, a few dozen Palestinian employees stood nearby, observing the moment. During Ramadan, the company hosted an iftar for Palestinian workers breaking their fast.

Palestinians advanced in the company, taking on managerial roles. SodaStream organized field trips for employees and their families. Friendships blossomed.

But the presence of the factory in former Arab territory settled by Israelis sparked growing calls for a boycott. Groups including Campaign for Boycott, Divestment and Sanctions urged consumers to ditch their SodaStream machines if the company didn't pull out of the disputed territory.

SodaStream closed its West Bank facility in 2015 and moved production to southern Israel.

SodaStream's new factory included a synagogue as well as Muslim prayer rooms. Its annual Ramadan feast became one of Israel's largest, with thousands of guests including the U.S. ambassador.

—Lauren Weber, Chip Cutter and Will Feuer contributed to this article.

Iranian Girl Dies, Weeks After Alleged Subway Clash

By SUNE ENGEL RASMUSSEN

An Iranian teenage girl, whose collapse in a Tehran metro raised public anger and suspicion that she had been attacked by morality patrol officers for not covering her hair, has died in hospital, according to Iranian state media.

Armita Geravand, 16 years old, had been in a coma since Oct. 1. That day she had entered a subway car in Tehran, wearing her short black hair uncovered, and seconds later was dragged out, unconscious, and laid on the platform. She was pronounced brain dead last week.

The incident was shown on footage released by state media, but opposition activists have accused the government of covering up what exactly happened to her, demanding the release of the full footage from inside the subway car.

Some say she hit her head against a metal object after a violent encounter with enforcers of Iran's Islamic dress code. Iranian authorities said the girl fainted because of a drop in blood pressure but have otherwise ignored calls to release footage from inside the car that could show what happened.

Armita's death comes roughly a year after the death of Mahsa Amini, a 22-year-old Iranian woman who died in police custody after being arrested for allegedly violating Iran's Islamic dress code.

WORLDWATCH

MEXICO Hurricane Otis Death Toll Now 43

At least 43 people were killed and 36 have been reported missing after Hurricane Otis rammed into Mexico's Pacific coast, bringing devastation to the popular beach resort of Acapulco, officials said Sunday.

The death toll is up from the 27 initially reported. Security Minister Rosa Icela Rodríguez said that the likely cause of death of most of the victims was drowning.

Otis, the strongest storm on record to hit Mexico's Pacific coast, lashed Acapulco with 165-mile-an-hour winds and heavy rain, knocking out electricity.

—Santiago Pérez

RUSSIA Anti-Jewish Mob Storms Airport

Hundreds of people stormed into the main airport in Russia's Dagestan region and onto the landing field Sunday, chanting antisemitic slogans and seeking passengers arriving on a flight from Tel Aviv, Israel.

Russian news reports said the crowd surrounded the airliner, which belonged to Russian carrier Red Wings.

The Health Ministry in predominantly Muslim Dagestan said over 20 people were hurt.

Video on social media showed some in the crowd in Makhachkala waving Palestinian flags and others trying to overturn a police car.

—Associated Press

VATICAN Synod Report Omits LGBTQ Issue

A Vatican gathering called to debate potentially far-reaching changes in the Catholic Church adjourned on Saturday with a final report that barely referred to one of its most controversial questions: the place of LGBTQ people in the church.

That omission, following recent signs of liberalization on the matter from Pope Francis, was likely to disappoint Catholic advocates for LGBTQ rights. Proponents of women's ordination received slightly more encouragement, as the Vatican meeting called for further research into the possibility of women deacons.

—Francis X. Rocca



FATAL RAIL CRASH: Six people were killed and 40 injured when an incoming passenger train struck a stationary passenger train in Vizianagaram, Andhra Pradesh state, India, on Sunday.

FROM PAGE ONE

Hunt for a Crypto Fugitive

Continued from Page One

Authorities had been investigating Kwon over his role in one of the biggest disasters in cryptocurrency history. In May 2022, two tokens that he created, TerraUSD and Luna, crashed in value. The implosion erased \$40 billion from the cryptocurrency markets. Investors around the world lost their savings.

The investigators concluded that he lied to investors, and suspected he was secretly sitting on a crypto fortune. He now faces charges in both the U.S. and South Korea, including fraud and violations of capital-markets laws.

Kwon denied committing fraud. But just before he faced potential arrest, he vanished from his home in a Singapore luxury high-rise. He taunted authorities by tweeting and giving interviews from his undisclosed location. Even after his capture, he kept stirring up drama: A letter he sent from prison to Montenegro's prime minister unleashed a major political scandal in the tiny U.S. ally.

The 32-year-old Kwon now sits in a Montenegrin prison, where he is kept in isolation. Officials found that the Costa Rican passport he showed at the airport was a fake. The U.S. and South Korea are battling for his extradition. If sent to the U.S., he would likely end up in the same New York jail that now houses Sam Bankman-Fried—another disgraced crypto tycoon, whose companies were fatally weakened by fallout from the TerraUSD-Luna crash.

This account of Kwon's life on the lam is based on interviews with officials in South Korea and Montenegro, current and former employees of his company, Terraform Labs, and people close to Kwon. He didn't respond to requests for comment given to his Montenegrin lawyer.

‘Steady lads’

TerraUSD was a stablecoin, designed to maintain a price of \$1. Crypto investors often use stablecoins as a haven to save profits from successful trades. TerraUSD differed from many other stablecoins because it wasn't backed by dollars in a bank. A so-called algorithmic stablecoin, it relied on complicated financial engineering and the collective efforts of traders to keep its \$1 peg.

Kwon hailed TerraUSD as the centerpiece of a new monetary system, uncontrolled by banks and governments. Some crypto observers warned it was a ticking time bomb.

On May 7, 2022, its price began to slip, spooking investors. The trigger for the decline was a few big withdrawals from Anchor Protocol, a sort of pseudo-bank that offered investors annual returns of nearly 20% for TerraUSD deposits.

“Deploying more capital—steady lads,” Kwon tweeted as TerraUSD tumbled. His team tapped a \$3 billion reserve fund to bolster the stablecoin. He scrambled to arrange a bailout. Nothing worked. Within days, TerraUSD was worth pennies.

Investors were furious. They had poured billions into TerraUSD, putting most of it in Anchor, which many treated as a savings account. Others had gambled on Luna, a related coin that fell more than 99%.

While Terraform Labs was based in Singapore, Seoul was perhaps the crash's epicenter. Kwon, a South Korean citizen who studied computer science at Stanford University in California, had been a figure of national pride. Some 100,000 South Koreans lost money on TerraUSD and Luna, officials there say. Complaints flooded into prosecutors' offices.

It was Dan Sung-han's job to lead the investigation. Dan heads the Financial Crime Investigation Bureau of the Seoul Southern District Prosecutors' Office. Local media have dubbed the unit the Grim Reaper of Yeouido, referring to Seoul's financial district, for its fights against stock-market fraud and manipulation.

“It took us a good amount of time to build a solid understanding of the crypto market,” Dan said.

The South Korean investigators raided Terraform's local office. They questioned current



Above, Do Kwon in the Seoul office of Terraform Labs in April 2022, before the crash of TerraUSD and Luna. Kwon has been held in Montenegro's Spuž prison, right, since his arrest. Below, Dan Sung-han of the Seoul Southern District Prosecutors' Office has led the investigation of Kwon in South Korea.



and former employees. They seized evidence from seven South Korean crypto exchanges, hauling away blue boxes stuffed with documents, laptops, smartphones and external hard drives.

serve him with lawsuit papers—but he was already gone.

Red notice

On Sept. 7, Kwon flew to Dubai, and then Serbia, South Korean prosecutors say. He settled in the capital, Belgrade, known for its nightlife scene and tech sector.

Days later, South Korean prosecutors obtained a warrant for Kwon's arrest on charges that he had violated the country's capital-markets law.

Among other alleged irregularities, Dan's investigators zeroed in on the relationship between Terraform Labs and Chai, a South Korean payment app that at one point boasted two million users.

Before the crash, Kwon had repeatedly claimed that Chai used his firm's Terra blockchain to move funds between users and merchants. The claim was a key selling point for investors, who saw Chai's use of Terra as a rare real-world use of blockchain technology. Proponents see blockchain—the underlying technology behind bitcoin and other cryptocurrencies—as a way to empower individuals while cutting out banks and other traditional middlemen.

But Kwon's claim was false, South Korean prosecutors alleged. In reality, they said, Chai used traditional payment systems to settle transactions and its use of blockchain was a sham. Lawyers for Chai founder Daniel Shin said Chai initially used the Terra blockchain to process payments, but stopped in 2020. Shin, a former business partner of Kwon's, has denied wrongdoing. Lawyers for Kwon have defended his statements about Chai.

“I am not ‘on the run’ or anything similar,” Kwon tweeted on Sept. 17 after news of the arrest warrant. He still refused to reveal his location, citing threats to his security.



South Korean prosecutors filed a red notice through Interpol, the global policing body, effectively asking cops worldwide to capture Kwon.

From Serbia, Kwon told one crypto-industry associate that he had a deal with the local government. He told another that Serbian law enforcement allowed him to remain even after learning about the Interpol red notice.

Serbia's Interior Ministry, Justice Ministry, Foreign Affairs Ministry and main public prosecutor's office didn't respond to interview requests.

Kwon continued to manage Terraform Labs from hiding, and pushed a long-shot plan to revive its Terra blockchain.

Early in his stay in Belgrade, Kwon lived in an apartment near Knez Mihailova, a pedestrian street in central Belgrade known for its shops, sidewalk cafes and 19th-century architecture, said Milojko “Mickey” Spajić, a politician from Montenegro who met Kwon there.

Spajić told the Journal that Kwon invited him for a visit, and the two spent about an hour chatting over coffee, including about Kwon's ambitions to revive Terra.

The two had known each other since 2018, when Spajić—then a Singapore-based partner with venture-capital firm DAS Capital—agreed to invest \$75,000 in Luna. He later returned to his homeland and entered politics, and hoped to turn Montenegro into a blockchain development hub.

Spajić said he didn't know at

the time that Kwon was a fugitive.

On Oct. 12, Kwon registered a company called Codokoj22 d.o.o. Beograd, listing himself and Chang-joon Han as directors, according to Serbia's corporate registry.

Han was a former Terraform Labs and Chai executive who joined Kwon in the Balkans. Serbian real-estate records from December 2022 show Han owned a 4,300-square-foot apartment in an affluent neighborhood of Belgrade.

On Nov. 8, Kwon made an appearance on UpOnly, a livestreamed crypto podcast. He bantered with another guest: Martin Shkreli, the former hedge-fund manager who had been imprisoned on securities-fraud charges.

“Jail's not that bad,” Shkreli told him. “It sucks, but it's not the worst thing ever.”

“Good to know,” Kwon replied.

The pressure builds

Within days of Kwon's departure from Singapore, investigators in South Korea learned through Interpol bureaus that he was in Serbia, said Dan, the head prosecutor. On Dec. 12, prosecutors in Seoul publicly confirmed his whereabouts. Kwon's activity on Twitter dropped off sharply.

Later that month, South Korea formally asked Serbia to arrest Kwon and extradite him.

In late January, Dan and a South Korean Justice Ministry official flew to Belgrade. Over several days, they met Serbian law-enforcement officials. The Serbians shared details on the company Kwon had incorporated and his internet address, Dan recalled. They promised to hand over Kwon if he was caught.

On Feb. 16, the U.S. Securities and Exchange Commission sued Kwon for fraud, accusing him of lying about the stability of TerraUSD and Chai's use of blockchain. The agency also said Kwon and Terraform Labs converted thousands of bitcoin into cash via a Swiss bank, and withdrew more than \$100 million after the crash.

Lawyers for Kwon and Terraform Labs criticized the SEC's lawsuit as government overreach. They denied the Swiss bank allegations, saying the money transfers were for business expenses, and disputed the SEC's allegations about Chai.

On March 13, the Journal reported that the U.S. Justice

Department was also investigating the TerraUSD crash.

Kwon slipped across the border into Montenegro in mid-March and hunkered down in Petrovac, a resort town on the Adriatic Sea, police say.

On March 23, he and Han took a taxi to the airport in the country's capital of Podgorica, a drive that usually takes about an hour. They paid their driver 4,000 euros (\$4,230).

After Kwon's passport triggered the alert, officers detained him and Han, who was also found to have a fake Costa Rican passport. Border police searched the men's luggage and found three laptops, five phones and one more set of fake passports from Belgium.

“Everyone is looking for me,” a downcast Kwon told the officers, according to Adžić, the interior minister.

Han protested their detention, according to Adžić, saying, “We are VIPs everywhere that we go.” Han didn't respond to requests for comment through his lawyers.

Hours later, federal prosecutors in New York filed fraud charges against Kwon. A South Korean ambassador soon showed up at Adžić's office to discuss extradition proceedings.

A Montenegrin court convicted Kwon and Han for using forged passports. It sentenced them to four months in prison, but they can be held longer as they await extradition. Kwon has said he didn't realize the passports were fake, and that he was swindled by the agency in Singapore that obtained them for him.

Prison

Since his arrest, Kwon has been confined to Spuž prison, a cluster of brick buildings in a valley near Podgorica. He is allowed outdoors for one hour a day in a yard surrounded by a barbed-wire fence.

After being jailed, Kwon had a tearful reunion with his wife, in which he expressed regret for the trouble he had caused her and their young daughter, a person familiar with the matter said.

Kwon tried to post bail of 400,000 euros (\$423,000), but prosecutors opposed his request, calling him a flight risk.

On June 5, a one-page letter from Kwon arrived at the office of Montenegrin Prime Minister Dritan Abazović. The letter, in Kwon's tidy handwriting, described his friendly ties with Spajić, the politician who had met Kwon in Belgrade—and a rival of the incumbent prime minister. Spajić's party was expected to win an election days away.

The letter said Spajić tried to raise funds from Kwon and other “friends in the crypto industry,” according to a copy seen by the Journal.

Spajić denied asking Kwon for money. He said the letter was a trick masterminded by his political foes and the Serbian secret police. He suggested that Kwon was duped into writing the letter with a promise that Montenegrin authorities would free him on bail and let him escape the country. Serbia's intelligence agency didn't respond to a request for comment.

The letter prompted an uproar. Rival politicians attacked Spajić, who had built up an image as a corruption fighter, saying he had cozied up to a crypto fugitive. Spajić's party narrowly won the June 11 election, putting him on track to become Montenegro's next prime minister.

Kwon hasn't disputed that he wrote the letter. His Montenegrin lawyer, Goran Rodić, said Kwon didn't donate to Spajić. The lawyer declined to share more details, citing an open investigation.

European officials who visited Spuž prison last year said its cells were poorly ventilated and stiflingly hot in the summertime.

To occupy his time, Kwon watches television with a limited number of English-language channels in his cell, his lawyer said during a sweltering day this summer.

“Considering the current weather conditions, and considering the general nature of being in prison, I think he is doing OK,” Rodić said.

—Marko Vešović, Bojan Stojkovski, Ivan Cadjenovic and Paul Kiernan contributed to this article.

‘Everyone is looking for me,’ a downcast Kwon told the officers.



Investigators carried boxes of evidence from a cryptocurrency exchange in Seoul in July 2022.

CLOCKWISE FROM TOP: WOCHAE/CHOI/BLOOMBERG; MILOŠ VUKOVIĆ FOR WSJ; JIM MICHAEL PARK FOR WSJ

YONHAP NEWS/NEWSOM/IZUMA PRESS



Tech columnist Joanna Stern wondered why her iPhone's battery degraded so much in one year.

the hardware. The tech said my battery issues are most likely related to software on the device. Other experts told me the same thing.

While ambient heat or fast charging could have caused some degradation, it was most likely the operating system or some app taxing the processor.

Last month, when Apple responded to heat issues in the iPhone 15 Pro, it said they were software related. The company pointed a finger at apps including Uber and Instagram that it said overloaded the processors.

I am a pretty heavy Instagram user—was that it?

Meta has updated Instagram since then, and I also disabled its background app refresh abilities.

The replacement

The moral? No matter what, all batteries degrade—just at different speeds. You can try to manage heat, skip unnecessary charging, save fast charging for when you need it most, and try other battery-preserving tricks. But I've got a dog and two kids to take care of! Am I supposed to coddle my iPhone's battery, too?

Fortunately, replacement batteries are way cheaper than new iPhones. And they're better for the environment.

I went to I Can Fix It For You, a local New York City repair shop, to discuss replacement batteries. Joe Natanz, the manager, told me he usually installs third-party batteries, not Apple's own.

When installed, those non-Apple batteries pop up a warning in the Settings menu and won't show the helpful battery-health info.

Natanz's shop can be a lot quicker than going to the Apple Store, but it won't save you much money. He charges \$89 to replace the iPhone 14 Pro battery. Apple quotes \$99.

An Apple spokesman pointed me to a report citing a study by the global testing firm UL Solutions saying that in tests, third-party batteries overwhelmingly failed to meet safety standards. Natanz says he buys safe, high-quality non-Apple batteries.

Feeling brave? You can buy parts and tools directly from Apple's self-service repair site, but it won't save you any money and the repairs can be pretty complicated.

Most people in need of a new iPhone battery should go to Apple or an authorized repair shop. If only so you can continue to monitor your battery health—and repeat this fun cycle of cycles all over again.



Scan this code to watch Joanna Stern's video on how quickly an iPhone battery can go bad.

You Don't Need a New iPhone. You Just Need a New Battery

Why did our columnist's iPhone 14 Pro battery deplete so much in a year?



PERSONAL TECHNOLOGY
JOANNA STERN

You know what they say: *iPhone batteries are like a box of organic raspberries. They go bad a lot sooner than you want.*

Even if no one actually says that, it's true. Your iPhone's lithium-ion battery will expire and, unfortunately, there's no "Best Before" label.

Instead, **Apple** shows the current health of your iPhone's battery. Go to Settings > Battery > Battery Health & Charging. See the Maximum Capacity percentage? The amount of power your phone's battery holds when it's brand new equals 100% capacity. As you use your phone, that capacity drops. The lower the percentage, the shorter your phone may last on a charge.

What's tolerable? Anything over 80%. And you generally won't drop to that level for two or three years.

Now get the tissues because here comes my sob story. My iPhone 14 Pro is down to 87% after just a year of use. By comparison, my iPhone 12 Pro hit 88% after two years of use.

While iPhone 14 Pro battery degradation doesn't seem to be a widespread problem, it is one I've heard about from some readers and other tech folks.

So why did this battery degrade faster than the ones in my previous iPhones? I'm the problem? It's me? And when any iPhone does hit the dreaded 80% mark, what's the best way to get the battery replaced? I found some answers.

The cycles

All lithium-ion batteries have a finite lifespan. The battery capacity is like a gas tank that shrinks over time.

The big reason for this is charging itself. The more work the phone does, the more often it needs to charge, and that alone reduces the maximum capacity.

Frequent charging, especially more than once a day, can be "a major risk factor for batteries,"

said Peter Attia, chief technology officer of Glimpse, a battery quality-control company. Every charge decreases the amount of active lithium in the battery, he told me.

We measure charging in cycles: the number of times you fully charge and discharge your phone. If you start with a full battery and drain it completely, that's one cycle.

A full cycle can also be using 50% one day, recharging and then using 50% the next day.

The iPhone battery is designed to retain "80% of its original capacity at 500 complete charge cycles when operating under normal conditions," according to Apple. After that, the capacity—and your battery life—can degrade at a much faster rate.

Another reason: Heat. As I've reported, high temperatures are enemy No. 1 for batteries. It's not only those hot summer days: All the phone's intense processing and rapid charging add heat internally.

So how many cycles has your phone been through? If you just bought an iPhone 15, you're in luck, because your phone will tell you. Open Settings > General >

About then scroll way down to Cycle Count. For older iPhones, you can use a Mac app called CoconutBattery. After downloading it to your computer, plug in your phone to check the cycle count.

The cause

With CoconutBattery, I was partly able to solve the mystery. After just a year, my iPhone 14 Pro had already been through 494 cycles!

An Apple spokesman pointed me to the company's website and said that, given the cycles, my battery performance was in line with what's promised.

But how did I get in so many cycles so fast? When I shared that data with various experts, they all agreed the count sounded high, even for a phone addict—I mean, power user—like me. My iPhone 12 Pro logged 652 charge cycles after two years of use.

Now, you could say I just *use and use and use* and then have to *charge and charge and charge*. But my phone usage didn't change drastically in the past year. When I took it to the Apple Store, I was told there was nothing wrong with

In an iMessage World, Android Users Can Now Fit In

By DALVIN BROWN

IT IS HARD being the green-bubble guy.

Timofey Galyukov has often felt digital exclusion since he got his first smartphone in 2016—an Android-powered Google Pixel. His close-knit group of iPhone-wielding friends plan their basketball games and weekend outings using Apple's iMessage. They would leave Galyukov out because they didn't want their Android phone turning their chat bubbles green.

"There is a lot of FOMO when you're not in the group chat," said the 18-year-old college freshman, who lives near Richmond, Va.

Apple built iMessage into one of the world's most widely used social networks. The platform has helped cement the iPhone's dominance among America's teens.

When Android owners attempt to text their iPhone-toting friends, they trigger the infamous green-bubble scenario. Not only do they turn conversations a different color within the others' iPhones, their presence blocks useful features and the sharing of high-quality video and photos.

Sunbird is an Android app designed to infiltrate iMessage, giving users access to improved media sharing, tapback reactions and other perks. It is one of a burgeoning array of apps and tools that aim to bring Android and Apple closer, allowing Android users to mimic the magic of AirDrop, share audio with people on Apple devices and even join FaceTime calls.

There are limitations and risks. Android users might have to share their Apple ID credentials with

third-party services. And on Android, the Apple experiences might not be as seamless or feature-rich. But for people who regularly feel outnumbered, the workarounds can be worth trying.

iMessage for all

Sunbird, a New York-based startup, is still testing the app it bills as a unified messaging service. Its little secret: an assemblage of Mac Minis that can facilitate remote iMessage communication.

Sunbird prompts users to enter their Apple ID username and password into its app. One of Sunbird's Apple computers then becomes associated with their accounts.

The app currently allows users to combine their Android and Apple messages in one inbox. It may later add services such as WhatsApp, said Sunbird founder Danny Mizrahi. Sunbird doesn't store personal data, he added. Sunbird's privacy policy says that messages are encrypted on the user's device and can only be decrypted by the intended recipient's account.

Thousands of people currently use the app, Mizrahi said, and there is a wait list of 148,000 others, primarily ranging in age from 13 to 40.

A similar service, BlueBubbles, has a funny requirement: The Android phone users must *own* Macs.

Users first download a MacOS app from the BlueBubbles website and then install a Google Play store app for their Android phone. The two apps talk to each other to sync iMessage dispatches and functions.

The technical catch is that users need to grant the software full-disk access on the Mac because it is the only way to access the computer's iMessage chat database, said BlueBubbles founder Zach Shames. This potentially allows for unauthorized

count through the app.

Apple declined to comment on these third-party messaging services.

Android phones natively support an iMessage-like standard called RCS, for Rich Communication Services. With it, for instance, users



iMessage access and could cause Mac performance issues.

"It is always in the back of our mind that Apple may very well send us a cease and desist," Shames said. "We'd oblige."

A third app, Beeper, is available in Apple and Google's app stores. It integrates 15 messaging services into one app, including iMessage, Telegram and Meta Platforms' Instagram and Messenger. Users can select which messaging apps they want centralized on Beeper, and must sign into each individual ac-

can see if their messages were received and read.

AirDrop and FaceTime

There are other ways to bridge the divide.

Fast file sharing: WarpShare lets people quickly send documents, photos and videos directly from Android phones to Macs via Apple's wireless file-transfer feature AirDrop. There is no app, which means users have to download the Android software from WarpShare's GitHub page.

To send something to a Mac, that Mac must have AirDrop visibility set to Everyone. Android users can choose files to transfer, then send them via WarpShare to the Mac, which appears on a menu of nearby AirDrop-available Macs.

For the Mac user, it is simple: An AirDrop window pops up, prompting the person to accept the file. WarpShare can't send files to iPhones.

Listening sessions: Apple now lets two people wirelessly connect headphones to the same iPhone or iPad—provided the headphones are AirPods or Beats.

AirFly, designed to let people use their Bluetooth headphones with in-flight entertainment consoles, can plug into Apple or Android products. The \$45 AirFly Duo model is a two-headphone splitter, and works with any combination of brands.

FaceTime: Over the years, Apple has made a scant few services work with non-Apple devices. The Apple Music and Apple TV apps are available on Android, for instance. And while Android users can't initiate FaceTime calls, Apple now lets them join in through their phone's browser. An Apple user just has to send them a link.

Galyukov upgraded to Google's Pixel 6 two years ago, and has no plans to ditch Android. He loves the Pixel's ever-evolving camera capabilities. He started using Sunbird in May.

"Apple has masterfully created this separation in the U.S.," Galyukov said. "But I've found an alternative that's good enough—for now."

PHOTO ILLUSTRATION: ANNIE ZHAO/THE WALL STREET JOURNAL

PHOTO ILLUSTRATION BY RACHEL MENDELSON/THE WALL STREET JOURNAL

PERSONAL JOURNAL.

Trying a CEO's Morning Routine For a Day

Meditation, Peloton, coffee: Which business leader's action-packed regimen is the best setup for a high-performance day?

By RAY A. SMITH

EARLIER THIS MONTH, I decided to take on the challenge of a lifetime: Try a CEO's morning routine for one day.

On Tuesday, I was JPMorgan's Jamie Dimon and up before dawn reading five newspapers, research reports and getting in a workout. On Wednesday, call me Nasdaq Chief Executive Adena Friedman. And on Thursday, I stepped into Hollywood executive Nathan Brown's shoes.

Why did I torture myself? For you.

I write about workplaces and the people who run them. For years, chief executives have told me the energy, drive and creativity they get from their morning is what drives them.

Jonathan Mildenhall, co-founder and chair of global brand consulting firm TwentyFirstCenturyBrand, starts at 5:30 a.m. He makes coffee for his husband, styles his African-American daughter's textured hair, works out, meditates in a sauna—twice—and takes a cold plunge, all before arriving at work at 9 a.m.

He told me he does this to recalibrate for the day. "Without it, my energy is off and that compromises how I show up for myself and for others," he said.

And his conclusion is backed by a body of research that shows including exercise improves your memory, planning and focus. A disciplined pre-work regimen also primes you for an "optimal state" by the time you start interacting with colleagues, says Dolly Chugh, a social psychologist and management professor at New York University's Stern School of Business.

But all of this felt too narrow. Sure, it improves your focus in the moment, but are you really that better off all day long?

Maybe as Brad Stulberg, an executive coach and author of "Master of Change," told me: "It's not so much a matter of what you're doing, it's more the act of having a routine where the benefit lies."

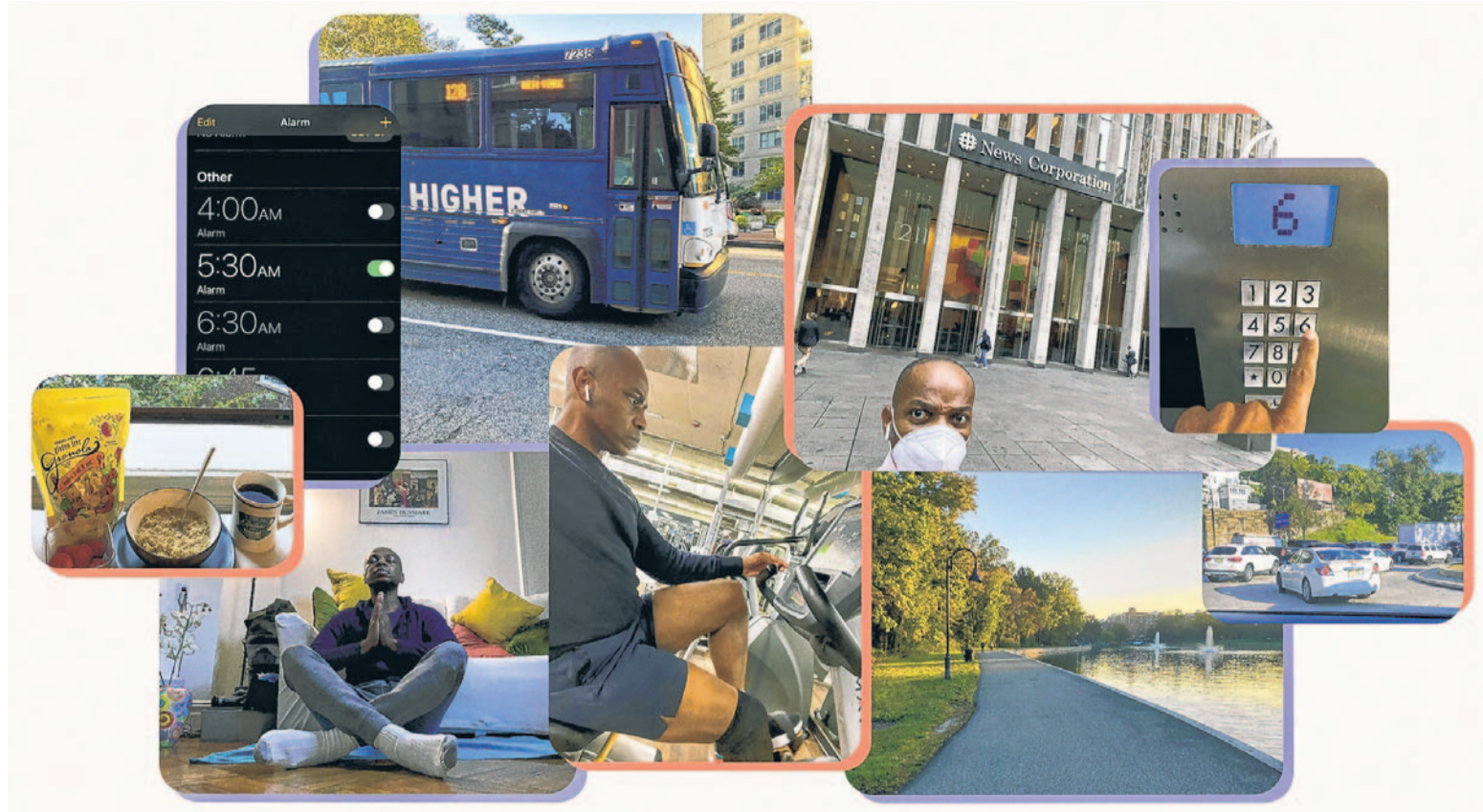
With that in mind, I tried the three executives' routines. Here's what happened:

DAY 1: Jamie Dimon, JPMorgan Chase chair and CEO

Jamie Dimon has said he spends two hours predawn reading "tons of stuff"—five major newspapers, analyst and internal bank reports, even speech transcripts—followed by 45 minutes of aerobics, light weights or stretching.

Unfortunately for me, Dimon has said he's just not that hungry early in the morning. I eat within an hour of waking, and tend to have a boiled egg, a yogurt, muffin or scone as my *first* breakfast.

This was just the beginning of my struggle with this schedule. After reading a few online stories from The Wall Street Journal, the New York Post and the New York Times (all part of Dimon's news diet), I grew restless. Thoughts of



Reporter Ray A. Smith channeled his inner CEO and tried out the morning routines of three successful business executives. He survived—barely.

my to-do list at work, then what my friends and favorite celebrities were up to, crept in.

I hadn't lifted weights in so long that I had to Google how to use the adjustable set a colleague lent me. It was more strenuous and sweatier than I expected. Half an hour in, I switched to modified jumping jacks and light stretching for the remaining 15 minutes.

I had time for just two sips of coffee between drying myself off from a shower, moisturizing and getting dressed. My everyman's town car, an Uber, was scheduled to arrive at 8:15 to chauffeur me from my New Jersey apartment to Midtown.

I arrived at the office nearly an hour later. All the reading and exercising had perked me up. But my energy dissipated by 10:30. During a 1 p.m. staff meeting, I stood up fearing my eyes might close if I sat down.

Quick take: This setup might suit someone wanting a mix of quiet focus time and low-intensity workout. It probably doesn't work for people getting young children out the door, or those with long driving commutes. My biggest hurdle was breakfast, or lack thereof.

DAY 2: Adena Friedman, Nasdaq chair and chief executive

Adena Friedman starts most days with up to one hour on the Peloton listening to high-energy pop music. Then it's a breakfast of oatmeal, granola, fresh fruit and coffee before getting to the office by 8 a.m.



I don't own a Peloton so my workaround was an exercise bike at the gym, a 10-minute walk away, which helps explain why I was 30 minutes late to the office.

I arrived at the gym just before it opened at 6 a.m. and hopped on a spin bike. My playlist included Radiohead's "Everything in Its Right Place," and Soul II Soul's "Back to Life." I was instantly energized, so I switched to a stationary bike that tracked distance and rode about 4 miles at a moderate speed. I enjoyed, rather than endured, it and worked up a decent sweat. I walked home invigorated and psyched about the day. The sunrise between entering and leaving the gym lifted my mood, too.

Now it was 7:20 and I had to get to work by 8 a.m. via a bus from New Jersey. I had just enough time to inhale two strawberries, a spoonful of oatmeal and three sips of coffee before flying out the door at 7:40.

The Lincoln Tunnel crush of cars got me to the office a half-hour behind schedule, yet early enough to grab a free bagel. (Wednesdays are bagel days at the Journal.)

The shorter morning routine and high-energy workout gave me a pumped-up feeling that lasted into the afternoon. I worried I'd be tired by noon and need an afternoon shot of espresso, but I found myself multitasking and inspired to start projects I'd been procrastinating on.

Quick take: This routine can work if you have a Peloton or stationary bike at home, and can save

yourself an extra trip to or from the gym. It also helps if you aren't getting children ready, or can alternate those duties with a partner.

The regimen helped me be more energetic, productive and focused. Still, I'd have to condense or start it earlier to get to work on time.

DAY 3: Nathan Brown, president of Range Digital Ventures and partner at Range Media Partners

Nathan Brown's alarm goes off at 6 a.m. He meditates, then makes a double espresso for himself and breakfast for his young son. By 7 a.m. he is running 3 to 5 miles or starting a session with a private trainer.

I tried to meditate but was distracted by the itch to catch up on emails or the latest news from colleagues or competitors. Maybe it would have worked better if I'd used a guided-meditation app, like Headspace or Calm, or brushed up on meditation tips.

I substituted strong coffee for the espresso and scrambled some eggs. After a few sips, I headed out for a 1-mile jog to a lovely park, then a 1-mile lap around its lake. The plan was to run a third mile home but I ended up walking half of the way back. This was definitely the most strenuous of the three workout routines.

I was sweaty and spent. I rushed to my car and drove to Manhattan with NPR's "Morning Edition" on the radio. Traffic wasn't as bad as Los Angeles's notoriously bad congestion, but I'm a public-transportation kind of guy and quickly got frazzled.

Circling Hell's Kitchen streets in vain, I finally drove into a parking

garage. The dashboard clock showed I was 30 minutes late.

The tense drive, plus the intense workout, made me lightheaded.

Brown fasts between 7 p.m. and 11 a.m., an interminable stretch for me. Around 11:10, I tore into a bowl of roast chicken with basmati rice and veggies like I hadn't eaten in days.

Now I had sustenance. I got work done, and I wasn't as tired as I'd feared.

Quick take: Brown's routine made me more energetic if not as focused as I was after Friedman's routine. Still, I'd try a shorter meditation and run—not only to make it to work on time but to avoid getting worn out.

The verdict

Friedman's routine worked best for me. The Peloton-ish workout with bouncy music was the easiest for a morning-exercise novice like me because it felt more like dancing than working out. More important, at least for me, was that I could start eating by 7:30.

With practice, any one of these routines could work for you. Just know it may mean sacrificing some sleep, at least until you get accustomed to waking before 6. By experimenting, you'll find the combination that yields peak benefits while still being feasible.

I suspect I'll keep exercise out of my morning routine, considering the physical demands and the stress of rushing. Maybe I'm not built to be a CEO. Or, maybe I'll try the ultimate power move, working out during the workday. Or just putter around in the morning, like Jeff Bezos.

Is it time for breakfast yet?

By OYIN ADEDOYIN

FACED WITH the gargantuan cost of higher education, Americans often have to choose between securing their children's future or their own. A new rule change makes it slightly easier to do both.

Pretax contributions made to retirement accounts will no longer count as income in the formula that measures a family's ability to pay for college, under changes to this year's Free Application for Federal Student Aid, or Fafsa. The Education Department made the changes to simplify the form and ensure more aid goes to those who need it most.

Some families could save between \$5,000 and over \$10,000 on the cost of college each year, depending on their income.

The change encourages saving for retirement while making college more affordable to middle-income Americans at a time high inflation and interest rates have stretched family budgets.

"It takes a little bit of that guilt away," said Aaron Cirkens, chief executive of MDRN Capital, a retirement planning and investment advisory firm. "For the people that can even contribute small amounts to their 401(k), they now are able to do that without it affecting the fed-

Saving More in a 401(k) Can Now Boost Your College Financial Aid



eral aid that their kids could get for college."

Under the federal formula, the maximum families are expected to contribute to the cost of college is capped at a range between 22% and 47% of their discretionary income.

In the past, Fafsa asked families how much they contributed to their work-sponsored retirement accounts. Retirement contributions

were then factored back into total income, raising the amount families are expected to contribute.

The new Fafsa, which comes out in December, is shorter. Questions about untaxed payments to tax-deferred pension and retirement savings plans have been removed. The changes are designed to simplify the process and help families in greatest need of assistance by

drawing more information directly from tax documents.

This change will have the biggest impact on middle-income households that make around \$100,000 a year, financial advisers say, since pretax contributions can lower their income below the threshold for additional aid.

Among qualified retirement plans managed by Vanguard, nearly 60% of participants with income of more than \$150,000 contributed the maximum allowed last year. Comparatively, 4% of participants with income between \$75,000 and \$99,999 did so.

The Fafsa collects tax information from two years before the application, so contributing more to retirement accounts this year won't impact the financial-aid award for 2024-25, but will affect the amount for the 2025-26 academic year.

Many families struggle with giving priority to saving for college and retirement.

"They've got a limited amount of money they can set aside for savings. Do they set it aside for their

own retirement? Do they set it aside for college?" said Shannon Vasconcelos, senior director of college finance for Bright Horizons College Coach, a college admissions advising firm. "There isn't a very clear right or wrong answer."

Parents who put college savings ahead of retirement savings may end up having to play catch-up once their kids graduate college, financial advisers say. By that point, they are closer to retirement age and may end up having to save even more money each year to meet their goals, stay in the workforce longer or adhere to a stricter budget once they retire, said Chris Longworth, a certified financial education instructor at the Financial Education Group, an advisory firm in Washington state.

"They literally sacrifice their future lives for the benefit of their children," Longworth said.

The change to the Fafsa affects federal aid and the institutional aid granted by colleges that use the same formula. Some colleges and universities use alternatives to Fafsa when considering how much institutional aid they grant to students. Their formulas may still count retirement contributions as income.

This new Fafsa formula may encourage parents to contribute more toward their retirement earlier, college advisers say. "This particular provision of Fafsa simplification allows you to save more for retirement and it will help you a bit in terms of paying for college as well," Vasconcelos said.



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CHRISTINE JANIN, 1990
MOUNTAINEER AND
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COME WIND, HAIL OR TEMPESTS

Its name says it all. The Explorer was inspired by those who first summited the Earth's highest peaks. Like them, it is able to endure these most strenuous conditions. However sober and smart this watch may be, it is precisely the tool these adventurers need. Amidst the chaos of the unknown, what these men and women require is reliability and above all, simplicity. Something reassuring, efficient and instantly legible, to ground them even if nothing else around or within them does. This watch embodies just that. An unremitting teller of time, come wind, hail or tempests, that will see one's own adventure to its pinnacle. **The Explorer.**

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ARTS IN REVIEW

By MARY TOMPKINS LEWIS

London

Following on the heels of last spring's Vermeer exhibition in Amsterdam, "Frans Hals" at the National Gallery here celebrates another Dutch artist (1582/84-1666) whose critically neglected work was rediscovered by 19th-century French scholars and painters. Together with Rembrandt, the triumvirate would define Golden Age painting in the Netherlands. This show of 51 paintings, organized by Bart Cornelis, the museum's curator of Dutch and Flemish Paintings 1600-1800, is the first major exhibition devoted to the artist in decades. Though not as well-known as the art of his two contemporaries, Hals's incomparable work—its unfeigned naturalism, ebullient brushwork and sanguine vision of quotidian life in the 17th-century Dutch republic—would captivate Courbet, Manet, Van Gogh and other modernist painters, and still resonates today.

Hals's early years are largely undocumented, and nothing here hints at an apprentice period. He almost exclusively painted portraits, and apparently never used preliminary drawings. And while the dynastic demands of portraiture—the need to record a sitter's image and status for posterity—had long made it a lesser genre, it became something else in Hals's hands. In "Portrait of a Man Holding a Skull" (c. 1612), the subject's beautifully modeled face rests above liquid, feathery strokes that build up his ruffled collar and cuffs; rapid flicks of the brush denote the velvety blacks of his voluminous coat, and ghostly rivulets of white paint issue forth from the proffered, allegorical emblem. One of Hals's earliest known works, it establishes him at thirty as a virtuoso painter, and portraiture as ripe for re-invention.

The beautifully conceived, loosely chronological exhibition is graced with generous loans. Among them is "The Laughing Cavalier" (1624), arguably Hals's most famous painting, and lent for the first time ever by London's Wallace Collection. The bravura handling of paint evident in the show's opening display becomes absolutely dazzling in the smiling (not really laughing) figure, whose swaggering pose exhibits the protruding, so-called Renaissance elbow, an elegant posture Hals often adopted to convey his subjects' stature and elan, and to add spatial depth to his compositions. As we marvel at the exuberant technique that enlivens the portrait and the pose that seems to push Hals's brushwork into our space, the loss of the sitter's identity over time becomes utterly inconsequential.

Throughout his career, Hals portrayed Dutch militia companies, both from Haarlem (where he lived) and Amsterdam. Organized as guilds under the patronage of a saint, the guardsmen defended their cities from attack. Large, multi-figured portraits of their members decorated the companies' quarters, and they occasioned a staid, lackluster tradition that Hals upended, especially in his commissioned showpiece paintings of the militia in which he was enlisted for a time. His "Banquet of the Officers of the St. George Civic Guard" (c. 1627) has never before left the city of Haarlem, and is another of the show's extraordinary loans.

Hals's dynamic, choreographed painting focuses on his friend, Michiel de Wael, the arresting figure at center who catches our eye as he casually tips over his wine-glass, while a convivial companion peers out above a glistening platter of oysters. Red-cheeked guardsmen at either end, one offering a rousing toast, the other gesturing grandly towards the picture plane, frame the energetic image, where the artist's keenly observed characterizations of his sitters and rapid, spirited strokes—especially the slashing diagonals of color on the company's standards behind—unify the composition.

Hals also joined a rhetoric society in Haarlem, and some of his genre subjects may have originated in its popular dramatic and musical presentations. "The Lute Player" (c. 1623), for example, is not a formal portrait but a type, an eloquent embodiment of a practicing musician whose momentary, over-the-shoulder glance, merry countenance and pose of suspended animation come to life under the artist's vigorous touch. Other invented characters echo moralizing or satirical elements that punctuated the rhetorics' productions. The furtive gaze and plunging décolleté of his mesmerizing "Young Woman" (or "La Bohémienne"), here dated c. 1632, would have made her a figure of easy virtue in 17th-century Haarlem, but even Hals's contemporaries saw through her charms to appreciate how effectively his seemingly spontaneous touch en-



livened his common subject. A more frenetic energy pervades his later and darkly expressive "Malle Babbe" (c. 1640), in which the figure's troubling, mirthful expression in a shadowy setting suggests the artist's sympathy for the piteous real character he knew from the streets or workhouses of Haarlem.

Hals's paintings of married figures and families are also examined in the show, where his "Portrait of a Couple" (c. 1622), which probably celebrates the marriage of Isaac Massa and Beatrix van der Laen, is surely one of his best. Surrounded by symbols of fidelity and conjugal bliss and marked by their relaxed poses, insouciant expressions and obvious awareness of our presence, the smiling young couple is captured in sparkling sunlight. The strikingly naturalistic image is framed (on a knock-out wall here) by likely portraits of Massa as a successful merchant and powerful Haarlem figure, works in which Hals's friend and frequent patron reflected the mores of a stable Dutch society.

Though his palette darkened and his subjects sometimes aged, Hals's painterly gifts remained undiminished. In his masterful "Portrait of Jasper Schade" (1645) his inimitable style allowed Hals to perfectly characterize his reportedly insufferable sitter: Glittering, freely brushed paint strokes evoke an ostentatious costume, the arm-akimbo pose becomes almost imperious, and his outward gaze, now downcast, can only be described as condescending. We recognize the (smiling?) painter at work as much as his subject.

Frans Hals

National Gallery, London, through Jan. 21, 2024

Ms. Lewis, who taught art history for many years at Trinity College, Hartford, Conn., writes about art for the Journal and other publications.

ART REVIEW

A Painter's Soaring Portraiture

An exhibition highlights Frans Hals, whose likenesses still resonate in their eloquent naturalism



Works by Dutch Golden Age artist Frans Hals: 'The Laughing Cavalier' (1624), top; 'The Lute Player' (c. 1623), above left; 'Young Woman' ('La Bohémienne'), c. 1632, above right; 'Banquet of the Officers of the St. George Civic Guard' (c. 1627), below



SPORTS

Michigan Pulls Offer To Harbaugh

A deal had been on the table until allegations of sign stealing in the program scuttled talks

By Andrew Beaton and Rachel Bachman

The University of Michigan has rescinded a new contract offer for head football coach Jim Harbaugh in the wake of a sign-stealing scandal that has rocked one of the favorites to play for college football's national championship, according to a person familiar with the matter.

The move is the first sign that the school may be hesitant about its future relationship with the famed coach who revived its football program and is frequently cited as a candidate for jobs in the NFL. Harbaugh's pay had been cut during the pandemic, but he was given a new contract just last year after bringing the team back to national prominence.

The Wolverines' title chase this year put him in line for another raise. Michigan recently had made an offer that would have made Harbaugh the highest-paid coach in the Big Ten, before the school pulled it once the sign-stealing allegations rocked the school, the person said.

A spokesman for the athletic department said the school, athletic department and personnel—which would include Harbaugh—don't comment on employment contracts until they are completed and fully executed.

The NCAA is investigating whether Michigan executed a scheme to illegally steal opponents' play-calling signs. On Oct. 20, Michigan suspended a football staff member named Connor Stallions after a report that the NCAA was investigating the school for allegedly violating rules that ban teams from in-person scouting of future opponents.

The university's pullback from contract negotiations casts doubt on Harbaugh's future at Michigan, even as he has led the Wolverines to an 8-0 record, a No. 2 ranking and favorite status at sportsbooks to win a national championship.

Harbaugh, 59, returned to his alma mater in 2015 with great fanfare. The coach, who had played as a quarterback at Michigan, had thrived while leading teams both in college and the NFL and was hailed as the great hope to restore the once-powerful program. Michigan's last national title came in 1997, when the Wolverines were crowned champion in the AP Poll while Nebraska won the coaches' poll. Harbaugh got closer than ever in recent seasons when he led Michigan to back-to-back berths in the College Football Playoff.

That run of success has included consecutive wins over nemesis Ohio State, which had won eight games in a row in the rivalry. The school's offer of a new contract meant it was willing to stick by the coach even after he faced potential discipline by the NCAA in connection with alleged recruiting violations.

Everything changed, though, when Michigan football faced yet another firestorm. After the sign-stealing allegations broke, Harbaugh said in a statement: "I do not have any knowledge or information regarding the University of Michigan football program illegally stealing signals, nor have I directed staff members or others to participate in an off-campus scouting assignment."

Subsequent media reports alleged that Stallions bought tickets to more than 30 games of Michi-



PAUL SANCI/ASSOCIATED PRESS

Michigan rescinded a contract offer that would have made Jim Harbaugh the highest-paid coach in the Big Ten.

gan's future opponents over the past three years. ESPN also reported that there was evidence that at one game, someone sitting in the seat bought by Stallions held his smartphone up and appeared to film the home team's sideline the entire game. NCAA rules prohibit any attempts to record the signals opponents use to communicate plays. Stallions hasn't commented on the allegations.

Even before the sign-stealing allegations caused an uproar in the college football world, Harbaugh had been under fire. The NCAA already had been investigating him for alleged recruiting violations in 2021, leading to Michigan self-imposing a three-game suspension on the coach to start this season. The case remains open in part because the NCAA and the school couldn't agree on a negotiated resolution.

It isn't clear when the situation will be resolved, but given the typical NCAA process, it could be next year. Both the recruiting and sign-stealing allegations could be problematic for Harbaugh under an NCAA rule that says a head coach is "presumed to be responsible for the actions of all institutional staff members who report, directly or

indirectly, to the head coach." A violation of that rule can be a Level I infraction, according to the NCAA, the most serious kind.

The most severe penalty for a coach, for repeat or aggravated violations, can include suspension from coaching at his current and any other NCAA school for a period of time.

Harbaugh is at the pinnacle of his college coaching career, having led Michigan to a 33-3 record in the past 2½ seasons, including two consecutive Big Ten Conference titles. He is in his ninth season as head coach at Michigan, where he was a star in the 1980s under legendary coach Bo Schembechler.

In 2020, however, Harbaugh was at a low point. After Michigan struggled to a 2-4 record during the pandemic-shortened season, he agreed to a halving of his base salary to \$4 million.

The contract was laden with incentives, however, and the Wolverines' strong 2021 season earned Harbaugh \$2 million in bonuses. He said he and his wife planned to donate the money to athletic-department employees whose salaries were reduced in the financial crunch of the pandemic.

In early 2022, Harbaugh agreed to a five-year, \$36.7 million deal that would keep him at Michigan through 2026.

His performance that season—when Michigan went 13-1—and so far in this one put him in position for another raise. Harbaugh ranks 12th in the nation with roughly \$8.2 million a year in total pay, according to a USA Today database. Alabama's Nick Saban tops the list with \$11.4 million, and three Big Ten coaches rank above Harbaugh.

A combination of factors—his salary, his past success coaching the San Francisco 49ers and his run-ins with the NCAA—had previously led to questions about just how long Harbaugh would stay at Michigan. In recent off-seasons, he has interviewed for NFL coaching gigs before staying at Michigan.

The pause on his raise in recent weeks, parallel to the additional scrutiny in the sign-stealing investigation, is likely only to increase the speculation that Harbaugh may decamp for the professional game before the NCAA makes its ruling. In the meantime, Harbaugh has Michigan marching toward yet another College Football Playoff appearance.

The WSJ Daily Crossword | Edited by Mike Shenk

11x11 crossword grid with numbers 1 through 67 indicating starting positions for clues.

- 28 Doesn't make any stopovers
- 29 Family car
- 30 Stumble
- 32 Patella's place
- 34 Fusses
- 35 Eye of _____ (witch's brew ingredient)
- 38 Leave 5%, say
- 39 Beast's abode
- 42 Reader of tea leaves, for example
- 45 Warn, watchdog-style
- 47 Come at _____ (have unwelcome ramifications)
- 48 New _____ (India's capital)
- 49 Stockpile
- 50 Mischievous sprite
- 51 Pete's Wicked, e.g.
- 53 Prepare cookies, perhaps
- 54 Related
- 56 Not busy
- 57 Captive of Jabba the Hutt
- 58 Wee drink of whiskey
- 61 Tie-breaking periods: Abbr.

BATTY | By Mike Shenk

- Across**
- 1 Throw away
 - 6 Silent confirmation
 - 9 High-end camera initials
 - 12 Shrub with bright flowers
 - 14 Spooky-sounding lake
 - 16 Chinese chairman of note
 - 17 Bad trattoria food for a vampire?
 - 19 ___ snail's pace
 - 20 Greek god of war
 - 21 Bad street features for a vampire?
 - 23 Dog captured by the Wicked West
 - 25 Friend of Pooh and Tigger
 - 26 Hearts, for example
 - 29 Diamonds, for example
 - 31 Oscar winner Julianne
 - 32 Golden State Warriors coach Steve
 - 33 Radar sweep
 - 36 Evictee from Eden
 - 37 Bad time indicator for a vampire?
 - 40 Citrus drink suffix
 - 41 Loch that may conceal a monster
 - 43 Tide type
 - 44 Radiant
 - 46 Make numb
 - 48 Most dreadful
 - 49 Each
 - 51 Start for space or dynamic
 - 52 Bad disco decoration for a vampire?
 - 55 Feral
 - 59 Viking costume accessory
 - 60 Bad business participant for a vampire?
 - 62 Command to an attack dog
 - 63 Polynesian amulet
 - 64 Napoli's nation
 - 65 Filming locale
 - 66 Signing tool
 - 67 Prepare vegetables, perhaps

- Down**
- 1 Long tale
 - 2 Old autocrat
 - 3 Bloody, at a steakhouse
 - 4 Player in the "Midsummer Classic"
 - 5 Architect I.M.
 - 6 Infamous Roman emperor
 - 7 Zincite and bauxite, for two
 - 8 Scattering of a people from their homeland
 - 9 Of limited extent
 - 10 Potato pancake
 - 11 Prepare pork, perhaps
 - 13 Nos. on bank statements
 - 15 Mets closer Díaz
 - 18 Frat bud
 - 22 Years and years
 - 24 Change for a five
 - 26 Foreboding sign
 - 27 Wander

Previous Puzzle's Solution

S	C	A	R	E	D	A	S	P	T	H	
A	R	T	I	L	L	S	K	I	R	A	G
W	E	T	B	L	A	N	K	E	T	E	L
I	D	E	M	N	A	T	L	D	E	L	I
T	O	N	E	S	W	O	E	B	E	G	O
A	L	S	T	O	N	O	W				
T	I	P	T	O	E	I	A	N	D	E	B
A	C	E	W	E	M	B	L	E	Y	E	O
P	E	N	S	S	A	M	I	A	M	N	O
T	O	T	A	L		N	R	A			
A	T	A	L	O	W	E	B	B		D	E
R	I	G	U	P	L	A	U	D	S	A	R
G	A	R	B	W	E	S	B	E	N	T	L
O	R	A	L	H	A	T	M	A	R	I	N
N	A	M	E	O	D	E	S	P	I	D	E

The contest answer is **TOMBS**. As hinted at by the clue for 70-Across (SPIDER), each of the five theme answers has WEB trapping a single letter. Those trapped letters, in order, spell the contest answer.



Diamondbacks pitching coach Brent Strom, right, chats with pitcher Brandon Pfaadt.

The 75-Year Old Pitching Guru Behind Arizona's Surprise Run

By Lindsey Adler

Arlington, Texas — Arizona Diamondbacks pitcher Merrill Kelly was surprised to receive an email from his retirement-age pitching coach Brent Strom at about 4:30 p.m. last Christmas Eve. Subject line: "Some thoughts..."

Kelly expected holiday greetings. He was wrong. "I was thinking it would say, like, 'Merry Christmas! Hope you're enjoying it with your family,'" Kelly said recently. "It was the exact opposite of that. It was numbers and stats from the last year showing how I could improve going into the next season."

On Saturday night, Kelly shut down the powerful Texas Rangers offense in Game 2 of the World Series. He allowed just one run over seven innings in Arlington, becoming the first pitcher to complete seven innings in a World Series game since 2019. It was a career night for the 35-year-old starter, who had his best season in 2023 to even the Series heading back to Arizona.

Kelly laughed as he re-read the email from Strom, the 75-year-old coach who had joined the Diamondbacks' staff in 2022. Strom had seemed set to retire when he resigned from the Astros' coaching staff after the 2021 season, but an opportunity to raise a new generation of pitchers with the Diamondbacks—"down the road" from his home in Tucson—brought him back to the dugout.

Out in Tucson, Strom was paying no mind to the timing of his correspondence with his starting pitcher. "If something comes to my mind, I want to get it off my mind so I can go on to something else," Strom said. "It's like all of us in elementary school. We have two choices. You can go play and do your homework, or you do your homework first and then go play so that I don't have to think about it."

The metaphor is apt as Strom's greatest strength as a pitching coach is his insatiable interest in learning about the craft that has defined his life. He was briefly a major-

league pitcher in the 1970s, appearing in a tidy total of 100 games.

"I've never forgotten how difficult it can be," Strom said. "I tell people that I was a 20-game winner and everyone gets excited. Then, I tell them that it took me three years to get those 22 wins."

Strom became the Astros' pitching coach ahead of the 2014 season; at that time, the organization was one of the first to understand how to quantify a pitcher's spin rate and how that might translate to the way the ball crosses the plate.

Eventually, Strom ran out of challenges in Houston. "I was planning on retiring," Strom said.

His decision to join the Diamondbacks raised eyebrows. Why would one of the most beloved coaches—leave a perennial contender for a team that had lost 102 games the year before?

"The wins are fun, but I love to see little things," Strom said. "Moving a pitcher on the rubber, talking about pitch sequencing, and then seeing him put it into play."

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](https://www.wsj.com/puzzles).

OPINION

Three Ideas to End Tent Cities



INSIDE VIEW
By Andy Kessler

San Francisco Why are FBI agents raiding homeless tents in San Francisco? Despite the city's spending billions on homelessness, the number of "unhoused"—as progressives say—has continued to soar alongside crime and opioid deaths. The tent encampments littering its streets have made the city a laughingstock. Los Angeles, San Jose, San Diego, Seattle, Portland, Ore., and others also have tent cities. How can this be in the world's wealthiest country? Does the U.S. not have the will to even try to fix this anymore?

Money won't solve homelessness, but changing or clarifying three laws and issuing an executive order would put a serious dent in it.

Start with *Martin v. Boise* (2018) and *Grants Pass v. Johnson* (2023), Ninth U.S. Circuit Court of Appeals cases that say "anticamping" ordinances and arrests are unconstitutional—cruel and unusual punishment—if the homeless lack "access to adequate temporary shelter." That sounds humane but has serious unintended consequences. The homeless flock to cities that allow them to sleep in tents on public property. Residents suffer, cruelly and unusually.

Perhaps a small tweak could allow tent sweeps if shelters were available within

60 miles. If Florida Gov. Ron DeSantis and Texas Gov. Greg Abbott can bus illegal immigrants thousands of miles to Nantucket and Manhattan, why can't mayors bus the homeless to shelters an hour away? Twenty-plus cities, including San Francisco, want the Supreme Court to reverse *Martin* and *Grants Pass* for "the overall well-being of the community." It should.

Here's another bad law: In 2014, California voters passed Proposition 47, also known by its ballot title: "Criminal Sentences. Misdemeanor Penalties. Initiative Statute." Under Proposition 47, California Penal Code 459.5 defines shoplifting as a misdemeanor that involves stealing items valued at under \$950 from an open business during its regular hours. So stupid.

This is why San Francisco criminals casually stroll through stores filling trash bags with goods, careful to stay under \$950. Nordstrom closed its flagship store. Target, Old Navy, Walgreens and Banana Republic also have closed stores. Many of these stolen goods are sold mere blocks away at an open-air market in Bart Plaza. Make it a felony to steal goods worth more than \$100 instead of \$950—and enforce it—and a lot of crime would disappear.

Now add bail: Former San Francisco District Attorney Chesa Boudin ended cash bail. No wonder he was recalled and tossed out last year. His replacement, Brooke Jenkins, announced: "It is the policy of the San Francisco

District Attorney's Office not to seek cash bail in criminal cases, except in certain misdemeanor cases where the law provides a court with no other choice to protect public safety." Same old, same old. A new zero-bail policy took effect in Los Angeles on Oct. 1.

Perhaps this policy is why San Francisco has such a large repeat-offender problem, especially for drug offenses. Judges release arrested dealers—more than 500 open bench warrants ex-

Changing a few laws and tightening border security could reduce urban homelessness.

ist for failure to appear—and many juries won't convict. One juror voted not guilty and said the defendant, who was charged with dealing fentanyl, was "coerced into selling drugs against his will." C'mon. Last year 647 people died from an unintentional drug overdose in this city.

I've often heard the claim that homelessness isn't a housing problem, it's an addiction problem. Recently, FBI agents were seen raiding homeless tents on Van Ness near City Hall in San Francisco as part of Operation Overdrive, taking over for local law enforcement to combat drug trafficking. The city is swamped with fentanyl dealers, many from Honduras. The San Francisco Chronicle highlighted an area of Hondu-

ras, Siria Valley, where many of the city's drug dealers come from.

How did they get into the U.S.? Of course you know. The Biden administration's open-border policy means fentanyl dealers are free to enter and kill U.S. citizens. And San Francisco is a "sanctuary city," attracting dealers by shielding them from deportation if they get arrested. An executive order from President Biden could immediately end this drug traffic. Instead, he lets in Honduran fentanyl dealers so the FBI can arrest them in the tent cities of San Francisco. It's lunacy.

California lawmakers are worthless. They recently rejected three important drug bills, including one with increased penalties for possession of large amounts of fentanyl. That's what happens in a one-party state. San Francisco Mayor London Breed recently introduced several ballot initiatives, but none to solve the homeless problem. Where's the governor? When Gavin Newsom was sworn in as mayor of San Francisco in 2004, he announced a "Ten Year Plan to End Chronic Homelessness." We're still waiting. Surely this is a top-of-mind problem for him. Nope, last week he was in China talking about the climate. Thanks, Guv.

California leaders are missing in action on the homeless crisis, ruining once-ionic cities. Fixing anticamping, shoplifting and cash-bail laws, plus issuing a border order would help a lot.

Write to kessler@wsj.com.

BOOKSHELF | By Meghan Cox Gurdon

Doing Life Together

The Soul of Civility

By Alexandra Hudson
(*St. Martin's*, 416 pages, \$29)

Since the pandemic, it's common to hear laments that America's social order is breaking down. It is well understood, too, that ours is rapidly becoming a low-trust society, one marked by punitive constraints on free expression and bitterly polarized politics.

Cultural analysts point to the causes of our distress. Alexandra Hudson offers a corrective to it. In "The Soul of Civility," she makes a heartfelt case that Americans are far from the first people to struggle to "do life together" harmoniously and that we individually have the power, even the obligation, to make inward changes to improve our communal lot. She believes we must rededicate ourselves to principles of kindness, self-respect and consideration for others: in short, civility.

By civility, Ms. Hudson, a great-books advocate and adjunct professor in philanthropy at Indiana University, doesn't mean merely making an effort to get along with others by exhibiting politeness, decorum or good manners. These are all emollient practices and certainly not unwelcome, but she wants readers to convert at a deeper level. Civility, she writes, is not a technique but a disposition, "a way of seeing others as beings endowed with dignity and inherently valuable."

Embracing this mind-set, she believes, "may be our only hope for navigating and emerging from our fraught and divided present times."

How does a person suffused with civility behave? He (or she) makes eye contact with others, offers and accepts hospitality, tactfully speaks the truth, welcomes disagreement without rancor, cultivates humility and a habit of curiosity, and avoids dispensing either flattery or abuse. A civil person is a trustworthy friend, a thoughtful conversationalist, a solid citizen, a good egg.

You might think it not a high bar to clear, but it is. That humanity has forever struggled to strike a balance—between passion and propriety, between civility and incivility—is clear from the depth and breadth of the sources that Ms. Hudson draws on to make her case. She cites the precepts of a pharaonic adviser in Egypt who some 4,000 years ago compiled the world's oldest list of maxims for living well. Ptahhotep's instructions apply as well in the era of social media as they must have done in the age of papyrus. "If you meet a disputant in the heat of action . . . pay no attention to his evil speech," he warns. "Your self-control will be the match for his evil utterances."

In fourth-century B.C. Athens, the orator Isocrates counseled: "Be courteous in your manner, and cordial in your address." Erasmus, the "intellectual superstar" of the Renaissance, sought to convey in his writing (which included a guide to etiquette) the notion that, as Ms. Hudson writes, "virtue and true freedom of the soul consist of self-governance, controlling one's baser impulses and passions in the name of a higher principle—namely, friendship and community with others." In our own time, the comedian Larry David, whom Ms. Hudson calls "the most astute modern observer of civility," illuminates the value of social norms on his television show by breaking them and making viewers wince.

In every part of the world and in every era, it seems, sensible people have concluded that life is pleasanter and more sociable when we control our tempers and strive to respect others whether or not we like them—or, especially in our own excited time, whether or not they share our opinions. If this seems obvious, well, it isn't. Thinkers across the ages wouldn't have felt compelled to formulate schemes to inculcate civility and decency were men and women generally not inclined to fly off into excesses of selfish thinking and vile action.

It turns out to be rather difficult to manage disagreement without rancor, to show self-control and a consideration for others: to be civil.

"The Soul of Civility" emanates a spirit of such gentle goodness that, alas, it can be a little treacly. In the hopes of enlisting the reader's enthusiasm, Ms. Hudson refers somewhat too often to herself and the reader as a kind of cozy team by using phrases such as "in our last chapter," and "as we've learned." Her writing is otherwise sensitive and intelligent, and she presents useful exemplars not only of admirable conduct but also of deplorable (Theranos founder Elizabeth Holmes for her perfidy, the fictional Hannibal Lecter for his cultured barbarism). That she iterates similar arguments mounted by different people unfortunately gives a feeling of sameness to some passages that borders on repetitive. Indeed, a quotation of Marcus Aurelius appears, verbatim, twice in 15 pages.

Still, there's a lot here. It's edifying to be reminded of the theological and practical underpinnings of Martin Luther King Jr.'s commitment to nonviolent protest and of Albert Schweitzer's advocacy for the humanity and dignity of colonized Africans. It's charming to be reminded of *sprezzatura*, the Italian "art of effortless effort" first formulated in the 16th century, which in its ideal form unites inner sincerity with outward polish. It's likely to be emboldening, for readers shy of expressing unpopular views against the headwinds of received opinion, to read of the bravura moral example of Edward Coles. Coles was a neighbor of Thomas Jefferson, though a generation younger, who privately and repeatedly reproached the statesman for his hypocrisy in the matter of slavery. In doing this, he fulfilled an important requirement of civility, which is to show respect to oneself.

It is probably too much to hope that the message of "The Soul of Civility" will reach the shoplifters, keyboard warriors, feckless politicians and other authors of our disorder. It is not too much to imagine that each reader, buoyed by Ms. Hudson's earnest persuasion and the arguments and aphorisms of those she cites, will come away from the book wanting to behave—and to be—a great deal better. And if things get really hot, as Marcus Aurelius reminds us, we always have the option of "having no opinion."

Mrs. Gurdon, a Journal contributor, is the author of "The Enchanted Hour: The Miraculous Power of Reading Aloud in the Age of Distraction."

Iran's Fellow Traveler in Mexico City



AMERICAS
By Mary Anastasia O'Grady

The high cost of declining American power in the world is being felt in the Middle East and Ukraine. But it doesn't stop there. Iran is moving into the Western Hemisphere with no effective pushback from Washington. The latest trouble comes from the U.S.'s North American neighbor, Mexico.

In response to a U.S. request that Mexico set up migrant-processing centers funded by Washington, President Andrés Manuel López Obrador said no earlier this month. Instead, he proposed a regional summit, excluding the U.S. and Canada, to discuss the migration crisis.

Last week, at the gathering with representatives of 10 Latin American governments, Mr. López Obrador gave President Biden the middle finger. Not literally, but the effect was the same.

A photo taken at the meeting features a smiling Mr. López Obrador with pro-Iranian dictators Miguel Díaz-Canel of Cuba and Venezuela's Nicolás Maduro alongside Colombia's President Gustavo Petro, a former terrorist and a card-carrying Israel hater.

Honduras's President Xiomara Castro, a Cuba sympathizer and wife of Manuel Zelaya, the former Honduran president who famously tried to extend his elected term with

help from Hugo Chávez, was also in the picture. So too was Haiti's acting Prime Minister Ariel Henry.

This gang of six, according to the Spanish daily *El País*, were the heads of state who drafted the communique that emerged from the AMLO-organized conclave held in the state of Chiapas. It blames U.S. sanctions against Cuba and Venezuela for the migration crisis and demands they be lifted unconditionally. The group also wants debt restructuring. Mr. López Obrador used the event to complain that the U.S. spends too much on defense and not enough to help its neighbors.

It's tempting to make fun of the snapshot of the caudillos, lined up in their crisp white Guayabera shirts; Ms. Castro in a green pantsuit. The group looks straight out of central casting for a parody about a banana republic. They get no points for originality either, by asking for more money and credit from Uncle Sam while weaponizing migration to try to get it.

Venezuela destroyed its petroleum industry long before the U.S. halted oil purchases from the country and prohibited American investment there. Cuba can buy all the food, medicine and telecommunications equipment it wants from the U.S. and can get almost anything else it needs from the rest of the world. But it has to pay Americans in cash, which is a problem for a bankrupt regime with a deadbeat reputation.

The sanctions claim isn't serious. But AMLO's coziness with Havana, Caracas and Bogotá, all of which have links to Tehran, is deeply troubling. The U.S. is teetering on the brink of war with totalitarians in the Middle East, and there was a time in the not-so-distant past that Mexico was on

President López Obrador seems to be playing footsie with Iranian allies.

the side of democracy. Even if Mexico has given up on human rights, it isn't in the country's interest to undermine the stability of its largest trading partner. Nevertheless Mr. López Obrador seems to be playing footsie with the amigos of the mullahs.

Tehran already has its teeth sunk into Cuba, Venezuela and Nicaragua. In February, Iran's Foreign Minister Hossein Amir-Abdollahian visited all three. Bolivia has deepened its political and security ties with Iran since 2007 and in July the two sides signed a bilateral defense agreement.

As far back at 2015 Peruvian political and security analyst Dardo López-Dolz testified on Capitol Hill about the growing influence of Hezbollah and Iranian cells inside his country. Earlier this month, Peru's head of antiterrorism alleged that Iran has recruited and trained

Peruvians who have engaged in violent extremism against the democratic government of President Dina Boluarte. Mr. López Obrador has refused to recognize Ms. Boluarte, who replaced former President Pedro Castillo after he tried to seize absolute power by closing Congress.

Iranian access to the region is growing through countries where socialists get to power. The Biden administration preferred left-wing Luiz Inácio "Lula" da Silva to the conservative Jair Bolsonaro in Brazil's 2022 presidential election. Shortly after Team Biden's ideological ally was back in office in Brasília, he let two Iranian warships dock in Rio for a week.

Mr. Petro, whose progressivism is also favored at the White House, is even more of a problem for U.S. security interests. Iran's soft-power network has been getting closer to the government in Bogotá, which has been entertaining Iranian ambassadors from around the region. Mr. Petro has refused to condemn the Hamas attacks and has called Israel's response "genocide."

Colombia has been facilitating migration from South America through the Darién Gap and, like Venezuela and Nicaragua, it may be helping Middle Easterners who want to inflict harm on Americans get into the region so they can get to the U.S. border. Mexico's alignment with these Iranian proxies is a warning to Washington.

Write to OGrady@wsj.com.

Qatar Is the Mideast's Honest Broker

By Meshal bin Hamad Al Thani

Qatar doesn't want another war in our region. Our objectives since the start of the current conflict have been clear: to secure the release of the hostages, establish humanitarian corridors for essential aid to Palestinian civilians, and to end the bloodshed and prevent further escalation.

Over the past two decades, our nation has cultivated a reputation for mediating complex disputes. Lasting peace can be achieved only by building trust and understanding. The foundation of our success has been our ability to engage with all sides.

Following the escalation in Gaza, Qatar is in contact with all parties, urging calm. Our international partners such as the U.S. have asked us to mediate to secure the release of more hostages. We have been engaged with Israel, other

countries and Hamas. The release of several hostages as a result of Qatar's mediation is a positive step, but the situation remains delicate.

It is therefore deeply unsettling that false narratives about Qatar have emerged in the media with the apparent intention of escalating the

We don't endorse Hamas and have been targets of a campaign of disinformation.

conflict. These narratives create obstacles for constructive mediation efforts and aim to derail negotiations. Almost as soon as the conflict began, Qatar became the target of a sustained disinformation campaign about the nature of our role as a mediator for peace in the region. These campaigns have spread falsehoods about

the purpose of the Hamas political office in Doha and the financial aid that Qatar provides to Palestinians. "Commentators" assert that Qatar is a funder and sponsor of Hamas—which is untrue.

The Hamas political office in Qatar was opened in 2012 after a request from Washington to establish indirect lines of communication with Hamas. The office has frequently been used in mediation efforts, helping to de-escalate conflicts in Israel and the Palestinian territories.

The presence of the Hamas office shouldn't be confused with endorsement but rather establishes an important channel for indirect communication. Qatar's pursuit of dialogue has always been conducted in coordination with our international partners, and our peace has always been priority and stability in our region. Further, all humanitarian aid from Qatar to Gaza is delivered directly to

Palestinian families, while additional Qatari funding provides electricity to power the homes of Gaza's two million people. Qatari aid is distributed in full coordination with Israel, the U.S. and United Nations agencies such as the World Food Program and the Special Coordinator for the Middle East Peace Process. It is subject to strict guarantees and controls along its route through Israel into Gaza.

The release of several hostages over the past week shows that Qatar's policy of engaging with all sides can yield positive results. Avoiding the further loss of civilian lives and securing the release of hostages should be the priority for all. Open channels of communication can lead to lasting peace. Qatar will continue to pursue such engagement, supported by the U.S. and other partners around the world.

Mr. Al Thani is Qatar's ambassador to the U.S.

OPINION

REVIEW & OUTLOOK

State Tax Masochism by the Sea

One great benefit of America's federalist Constitution is policy competition among the states. Voters in Florida don't have to live under New York's laws, and Americans and businesses can vote with their feet by moving across state lines.

That truth came into focus again last week when the Tax Foundation released its annual ranking of state business tax climates, and there's a yawning gap between the winners and losers. The best performers ease commerce by forgoing major taxes. The worst stack up punishing rates, making new business much more difficult and costly.

A gang of Democratic-run coastal states make the bottom of the list. Dead last is (of course) New Jersey with its 11.5% top corporate tax rate, followed by New York (7.25%), California (8.84%), Connecticut (7.5%) and Massachusetts (8%). Minnesota (9.8%) is the Midwest outlier, coming in 44th of 50 states.

The corporate rates don't match the order of the Bottom 10 exactly because other variables count toward the tax-climate score. The ranking gives a higher negative weight to income and sales taxes, plus a penalty for states that have complex tax codes.

Top ranking went to a trio of Western states where governments don't touch individual income: Wyoming, South Dakota and Alaska. They differ widely on the rest of the details. Alaska and South Dakota rely on property taxes, while Wyoming leans on charges such as highway tolls. But all of them fund limited governments from a broad base of taxpayers, instead of putting a huge burden on a small group

of businesses and high earners.

Some more populous states achieve the same feat. Fourth-ranked Florida manages to keep taxes on business and sales close to the national average, despite having no individual income tax. North Carolina and Indiana claim the ninth and 10th spots with modest corporate rates, which have helped their major cities surge as regional business capitals.

Differences among states are driving businesses to pack up for better climes. Nearly 150 publicly traded companies moved their headquarters across state lines in 2022, the highest rate in the past six years. Top destinations were Florida, Texas, Arizona and Utah.

The most-fled states include New York and California, plus the lower-tax outlier of Washington state, which still lacks an income tax but has imposed a 7% tax rate on capital gains that may soon get a hearing in the U.S. Supreme Court as unconstitutional.

The Tax Foundation notes how tax competition has ramped up in recent years. Arizona climbed five spots in the ranking to No. 14 by cutting its income tax to 2.5%, the lowest non-zero flat tax rate in the country. Colorado stands out among Democratic-controlled states with a fairly low 4.4% top corporate rate, yet it dropped six spots as states like Mississippi and Wisconsin cut their taxes.

Business owners on the costly coasts are unlikely to get much relief soon, but competition may help restrain some states from pushing taxes even higher. If not, at least CEOs and corporate boards have a handy list of new potential home bases to check out.

A state tax ranking shows why business is fleeing the coasts.

Mike Pence Makes a Gracious Exit

Mike Pence's decision to end his presidential campaign on Saturday was a recognition of political reality and the need to consolidate the GOP field against Donald Trump. Others will have to follow his lead, preferably before the end of the year.

"Traveling across the country over the past six months, I came here to say it's become clear to me, this is not my time," the former Vice President said in Las Vegas at the Republican Jewish Coalition summit.

By temperament and experience, Mr. Pence would make a good President. But his campaign of traditional conservative policies and civility never caught on. MAGA voters wouldn't forgive him for standing up to Mr. Trump's attempt to overturn the 2020 election, while anti-Trump voters wouldn't forgive his four years as Mr. Trump's loyal number two.

Mr. Pence deserved better because in personnel choices and policy advice he was crucial to the successes Mr. Trump had as President. He steered the former President toward his better cabinet choices and advisers, such as education secretary Betsy DeVos. If he was sometimes too wincingly loyal amid Mr. Trump's impulsive policy riffs—Kim Jong Un is a helluva guy—that was the price of maintaining influence behind the scenes.

Critics who say he should never have accepted the VP nod should thank heaven he was there on Jan. 6, 2021. Mr. Pence stood up to Mr. Trump's public and private pressure to stop the electoral vote count. He followed his conscience to recognize the constitutional limits

of his role, and he did the right thing in a political crucible, though he had to know he was damaging his future presidential prospects. He deserves the public's gratitude.

Mr. Pence also made a contribution this year in calling out the drift among some of his GOP competitors toward isolationism. He may have

been the wrong messenger, but he offered a message that Republican voters should hear about Russia, Iran, China and an unprepared America. Hamas's murderous invasion of Israel is a reminder of what can happen when a nation begins to believe it is safe from its enemies behind walls—or two oceans.

Mr. Pence didn't endorse another candidate, but perhaps he will as the primaries approach. Mr. Trump said Saturday that Mr. Pence should endorse him as an act of loyalty for having chosen him as his running mate, but Mr. Trump betrayed Mr. Pence with his post-election pressure to betray the VP's oath of office.

The GOP nominating race is frozen for now, with Mr. Trump maintaining a big lead and everyone else far behind. Many Republican voters have been sticking with Mr. Trump as a rebuke to the Democratic prosecutors who have indicted him four times.

But many of those same voters also say they are open to someone else. A surprising candidate usually breaks out as the voting approaches in Iowa. If someone does surge, the pressure will be on the others to get out. As Mr. Pence has done during his admirable career, the laggards will have to put the country above their political ambition.

The former VP goes out as a politician who put his country first.

A Supreme Court Social-Media Test

Some lower courts have divined in the First Amendment's penumbra a right to follow politicians on social media. On Tuesday the Supreme Court will consider whether the Constitution bars public officials from blocking constituents on their personal accounts (*O'Connor-Ratcliff v. Garnier* and *Lindke v. Freed*).

Michelle O'Connor-Ratcliff and T.J. Zane, elected school board members in California, used personal Facebook and Twitter accounts they created while running for office to campaign and inform constituents about education news. The officials blocked two parents for making "repetitious and non-responsive comments" on their pages.

The blocked parents sued, arguing the board members abridged their speech rights. The school district didn't control the social-media accounts or spend money to maintain them, but the parents said the board members' job-related communications converted the pages into de facto public forums.

The Ninth Circuit Court of Appeals agreed, ruling that members "acted under color of state law" because "they clothed their pages in the authority of their offices and used their pages to communicate about their official duties."

Several appellate courts have adopted the Ninth Circuit's "appearance and content" test for determining when public officials are engaging in "state action" when they block constituents on personal accounts. But this test lacks a clear basis in the Constitution or the Supreme Court's state-action precedents.

Such a broad interpretation of state action would infringe on the First Amendment rights of government officials by restricting how they can communicate with the public. James Freed argues this point in a second case the High Court will hear Tuesday.

Mr. Freed created his Facebook account while in college more than 15 years ago. When he was hired as City Manager of Port Huron, Mich., in 2014, he opened up his page to the public, including posts about his personal life and public announcements.

When Kevin Lindke, a city resident, posted disparaging remarks on Mr. Freed's personal page, Mr. Freed blocked him. Mr. Lindke sued Mr. Freed for violating his speech rights. The Sixth Circuit Court of Appeals tossed the lawsuit, holding that a public official engages in state action only when performing a legally mandated "duty of his office" or invoking the "authority of his office."

Though Mr. Freed sometimes posted about his job, "he was acting in his personal capacity—and there was no state action," the Sixth Circuit held. While the Supreme Court has identified three different tests for reviewing state action, the Sixth Circuit noted that none "make clear the distinction between public officials' governmental and personal activities."

The High Court now has an opportunity to clarify its standard. In 2014 the Justices held that a government worker's speech isn't transformed into government speech merely because it "concerns information acquired by virtue of his public employment." The same is true for their use of social media.

As the Justice Department argues in its amicus brief, the Ninth Circuit's interpretation could subject much of the "speech of public officials and employees to constitutional restrictions" that would "make those officials and employees less willing to speak in the first place" and "reduce, not enhance, free speech and public discourse." Americans have many platforms to criticize public officials without invading their personal social-media pages.

LETTERS TO THE EDITOR

Ambulances, Terrorism and the Face of Evil

In "Your Periodic Reminder That Evil Is Real" (op-ed, Oct. 25), Lance Morrow writes of Hamas's massacres as well as the story of an ambulance from the West Bank whose trip to transfer Mr. Morrow's friend to an Israeli hospital was delayed for longer than necessary by Israeli soldiers at the border. Those soldiers were wrong, and I'm sorry—no excuses.

I am also sorry that the border patrol has to stop ambulances at all. This was necessitated when Palestinians started using ambulances to smuggle weapons and explosives into Israel. In January 2002, a Palestinian Red Crescent paramedic, Wafa Idris, blew herself up in Jaffa Road, Jerusalem, killing one old man and injuring nearly 150. In May 2002 in Ramallah, in the West Bank, a bomb belt was discovered hidden under a 6-year-old boy, who was being transported in a Palestinian ambulance to a hospital in Israel. The bomb was discovered at a checkpoint and disabled. The child was then transported to the hospital in an Israeli ambulance.

I am also sorry that the Palestinian Authority has used the billions of dollars donated by the international community for terrorist activities and lining their own pockets rather than building its own state-of-the-art hospitals where Mr. Morrow's friend could have been treated.

HOWARD GERSTEIN, M.D.
Jerusalem

Is Mr. Morrow familiar with 18-year-olds? I bet the ones he knows

aren't mandated to check cars that may contain Molotov cocktails or worse, but Israeli 18- and 19-year-old soldiers are. These teenagers are taught that it is on their heads if Hamas terrorists enter Israel.

They also know that hospitals in Palestine aren't qualified to take care of many patients, that the hospitals in neighboring Arab countries won't take them and that the billions of dollars the Palestinians receive in aid won't be used for them. Israel will still admit Palestinian hospital patients, however, because this is what Israelis do, even if it is an opening for terrorists to exploit.

How can credence be given to what started as a brilliant treatise on evil when its denouement turns out to be a discussion of the venial sin of a teenager using his toe to press "Enter" on his keyboard?

DAHILIA PEYSER
Mountain Lakes, N.J.

I find it unsatisfactory that when "a Cornell professor" is quoted by Mr. Morrow as finding the Hamas terrorist attack on Oct. 7 "exhilarating" and "energizing," he isn't credited by name. Prof. Russell Rickford shouldn't be allowed to hunker down behind the screen of anonymity while he waits out his convenient "leave of absence" until the end of the semester. Evil not called out by name is evil empowered by the shadow in which it is allowed to lurk.

JANET WEAVER
Huntington Beach, Calif.

Retirees Can't Rely on Inflation Adjustments

I take issue with one statement in Mickey Levy's otherwise excellent op-ed "We're Still Paying for the Federal Reserve's Blunders" (Oct. 26). He writes that "retirees are largely protected by inflation-indexed pensions and government-subsidized healthcare."

I spent more than 40 years serving retirement plans as an actuary. Most private-sector pensions, to the extent they still exist, aren't indexed to inflation. Many don't provide any cost-of-living adjustment at all. Public-sector pensions often do provide a limited cost-of-living adjustment, but they are almost never fully indexed to inflation. In any case, since the financial crisis, many such plans have reduced or even eliminated cost-of-living adjustments.

Social Security is indexed to inflation (as measured by the CPI-W, which may or may not reflect the ac-

tual effect of inflation on retirees), but increases in Medicare premiums often mean that the effective net increase in Social Security benefits is less than CPI-W inflation. This hurts people at the lower end of the income spectrum in particular.

Given the lack of defined-benefit plans in the private sector, many people today have to rely on 401(k) balances to maintain their living standard. Inflation erodes the real value of those balances, making it difficult to increase withdrawals to the extent necessary to make up for inflation. Maybe investment returns will make up the difference, but for an older person with a time-limited investment horizon, that is far from guaranteed.

I would say no, retirees are not largely protected on this front.

BRIAN B. MURPHY
Huntington Woods, Mich.

Trump's Lawyers From 2020 Pay the Price

Your editorial "The Trumpian Tragedy of Jenna Ellis" (Oct. 25) lays much of the responsibility of what has happened to Jenna Ellis and Sidney Powell at the feet of Donald Trump. But these people aren't neophytes. They know right from wrong, legal from illegal. They could have said no. They sullied their own reputations.

SUE ROSS
Granbury, Texas

This Congress Is Not Going To Be Able to Restrain Itself

A reader believes that neither the 1974 budget law nor other legislation will control government spending, concluding that "only a constitutional amendment would address the lack of congressional discipline" (Letters, Oct. 20). But Congress can work around even a constitutional amendment. A budget deficit? Well then, a balanced-budget amendment means taxes must rise. Or nonsexty but necessary infrastructure spending and military appropriations regrettably must be sacrificed in favor of members' pork. President John Adams recognized the problem: "Our Constitution was made only for a moral and religious People. It is wholly inadequate to the government of any other." Voters need to choose a better class of Congress; failure to do so may yet prove fatal to our republic.

ROGER LEEMIS
Southfield, Mich.

Most Fatuous Nobel Prize?

In reviewing "Eurowhiteness" by Hans Kudnani (Bookshelf, Oct. 26), Tunku Varadarajan suggests, "Perhaps the most fatuous recent bestowal of the Nobel Peace Prize was its award in 2012 to the European Union for the 'advancement of peace and reconciliation' on the continent." Even more fatuous was President Barack Obama's 2009 Nobel Peace Prize merely for not being President George W. Bush.

SHAWN CLARK
Sunnyvale, Calif.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

The Other Affirmative Action

We are learning that the Supreme Court didn't go far enough in tidying up our colleges when it derailed racial preferences in admissions ("Hamas War Shows Us What American Universities Stand For" by Jason Riley, Upward Mobility, Oct. 18). Many schools still hire faculty and administrators based on another form of affirmative action: for left-leaning ideology. Then, they "educate" students while applying that bias. We are seeing the unfavorable results as certain faculty members and students applaud Hamas's heinous acts.

The courts aren't responsible for righting colleges' left-listing hiring practices, but the court of public opinion, which includes university donors, can and should pursue such efforts.

GREGORY MARSHALL
Marietta, Ga.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Does it look like I'm on a break?"

OPINION

A Saudi-Israeli Peace Deal Isn't Dead

By Karen Elliott House

W Riyadh, Saudi Arabia
hen Franklin D. Roosevelt and King Abdul Aziz met to establish U.S.-Saudi relations in 1945, the king never shared with anyone the memorandum of their conversations, believing that his friendship with FDR depended on goodwill and good faith, not a scrap of paper.

Now his grandson Crown Prince Mohammed bin Salman is the kingdom's de facto leader, and he is actively trying to revive Saudi-U.S. friendship by doing the opposite. The crown prince seeks a formal Senate-ratified treaty codifying a new set of mutual commitments between Riyadh and Washington.

The translator for Abdul Aziz's meeting with FDR later revealed that the king had given the president his advice about European Jewish survivors of the Nazi genocide: "Give

The Gaza war makes it more difficult but also reminds officials of the horrifying alternative.

them the choicest lands and homes of the Germans who oppressed them." Instead, in 1948 FDR's successor recognized the new Jewish state in Palestine. Saudi Arabia never did.

That would change under the prospective new U.S.-Saudi agreement, which would include Israel as a third party. The war in Gaza complicates matters, but the U.S., Israel and Saudi Arabia are still talking in an effort to create a new, economically integrated Mideast by bringing the dynamic Arab state into overt peaceful relations with Israel. In exchange, the U.S. would sign new trade, security and nuclear-enrichment deals with Riyadh, which would make some



Antony Blinken and Crown Prince Mohammed bin Salman in June.

pledges of its own, possibly involving oil.

That the three parties continue to hold out hope is a sign of how much both Saudi Arabia and Israel believe their cooperation could transform the region. It was never going to be easy. At any time, groups like Hamas, Hezbollah and Palestinian Islamic Jihad have the capability to cause chaos, as Hamas did with its Oct. 7 attack against Israel.

Yet the optimism now for an Israeli-Saudi peace is rooted in the hopelessness of the current Mideast. Israel's military might and strong U.S. support proved insufficient to guarantee the Jewish state's security. Iran and Hamas are exploiting the Palestinian issue to undermine public support for Israel across the region, and even in the U.S., where university campuses have hosted violent anti-Israel demonstrations. Perhaps, this thinking goes, the horrors of today's Mideast will motivate all parties to take previously unthinkable steps to resolve the Palestinian issue and secure widespread Arab cooperation in building a more integrated and prosperous region.

There is a narrow line between motivation and wishful thinking, and

the Saudis are anxious for an early end to hostilities. Officials are telling the Biden administration and a visiting delegation of 10 U.S. senators to persuade Israel not to invade Gaza or do anything that will prolong or widen the war. A short look at the horrors of war could create new determination to take risks for peace, but prolonged exposure to death and destruction could also breed a new generation of angry Arabs who block Saudi-Israeli rapprochement. Today's young Saudis, a majority of whom are under 30, have never seen war as their parents and grandparents did in 1967 or 1973. But if this current war drags on, with television and social media emphasizing Palestinian casualties in Gaza, young Saudis could be aroused against Israel.

To keep hope alive, Crown Prince Mohammed is doing all he can to maintain business as usual in Saudi Arabia. When Hamas's false claim that Israel bombed a Gaza hospital led to massive street demonstrations across the Mideast, Europe and U.S. college campuses, Saudi Arabia remained quiet. To be sure, demonstrations are risky in an authoritarian state. But a visitor here sees no signs that Saudi citizens are exercised over

events in Gaza. The crown prince has set out the parameters for his citizens by condemning the targeting of civilians, calling for creation of a Palestinian state, and ignoring Hamas to support the rival Palestinian Authority.

Last week the crown prince hosted the president of South Korea, and both attended the Future Investment Initiative, an annual three-day confab that draws Wall Street titans and thousands of international visitors. "The Phantom of the Opera" opened in Riyadh, and the city is hosting golf's Ladies European Tour and a world heavyweight boxing match. At the same time, Yemen's Iran-backed Houthi militia fired drones and missiles across the kingdom toward Israel. But a U.S. Navy destroyer in the Red Sea intercepted them all—a vivid reminder of the importance of U.S. military might in the Middle East.

Foreign-policy observers here believe—or at least hope—that Iran wants to avoid direct involvement in this war because any attack by Iran on Israel surely would prompt retaliation from Israel and could draw the U.S. into hostilities. For its part, Saudi Arabia is doing everything possible since restoring diplomatic relations with Iran this summer to avoid inflaming Tehran. Still, it's hard to imagine Iran would simply accept a new U.S.-Saudi-Israeli pact to cooperate in the Mideast at Iranian expense.

With war clouds covering much of the region, one thing is clear. Saudi Arabia, having flirted with China and Russia, recognizes that the U.S. is its best—its only—security option. Whether that will lead it to recognize the Jewish state in the current environment is unclear. But if lawmakers put aside their negative perceptions of Saudi Arabia to ratify a deal, it will be because Israel throws its support behind Riyadh.

Ms. House, a former publisher of The Wall Street Journal, is author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future."

Can Police Simply Take Your Car?

By Rob Johnson
And Wesley Hottot

Stephanie Wilson was never accused of a crime, but Detroit police seized her car anyway. For nearly two years, Ms. Wilson asked to see a judge. But her requests were ignored, and, instead, she was forced to attend repeated pretrial conferences with prosecutors. Missing one would automatically mean losing her car forever.

Ms. Wilson insisted she had done nothing wrong. Prosecutors took the car because they alleged her ex-boyfriend had used it to transport drugs, even though he was never charged with a crime and no drugs were found in the car. More important, the car belonged to Ms. Wilson, not her ex. Still, prosecutors refused even to let Ms. Wilson retrieve her child's car seat from the car while she waited for a judge to hear her case.

Due-process principles require the Supreme Court to impose limits on the practice of civil forfeiture.

This is civil forfeiture—a legal mechanism that allows the government to seize property because the government alleges the property is connected to a crime. Because the property, not its owner, is formally the "defendant," considerations of due process—such as a right to a speedy trial—go out the window.

On Monday the Supreme Court will hear a case to decide whether the Constitution requires a prompt hearing after law enforcement seizes vehicles for civil forfeiture. The plaintiffs in *Culley v. Marshall* had their vehicles seized because a family member and friend allegedly possessed drugs while borrowing them. Law enforcement held each car for over a year without a hearing.

As attorneys who litigate civil-forfeiture cases, we have seen firsthand the cost routine delays impose on innocent Americans. Victims often wait years for their cases to be heard. Without a vehicle, their lives are thrown into chaos, forcing them to miss school, work and medical appointments or fall back on often unreliable public transportation.

Prompt hearings are no panacea, but they could make a difference. Almost two years after Ms. Wilson's car was seized, a judge ordered it returned. But the car had sat in an impound lot that whole time, and the brake and fuel lines were so corroded that it was no longer usable.

Delay also magnifies pressure to settle. In many of our cases, prosecutors have offered to return seized property in exchange for a cash payment or a partial forfeiture. Prosecutors offered to return Ms. Wilson's car promptly if she paid \$1,800. Such tactics are particularly troubling because when the government takes property using civil forfeiture, it goes to fund the budget of the seizing agency.

In *Culley v. Marshall*, the state of Alabama argues that prompt hearings would be unworkable because police need time to investigate after they take cars. But that gets the working of the justice system backward. Police need to investigate before they take property, not after. If it's unclear property is involved in a crime, police shouldn't seize it in the first place.

The Sixth U.S. Circuit Court of Appeals—almost certainly with one eye to the pending Supreme Court case—recently held that the failure to provide a prompt hearing in Ms. Wilson's case violated due process. The Sixth Circuit delved into the relevant history and found that the delays built into Detroit's forfeiture laws were inconsistent with founding-era practice. As the Sixth Circuit wrote, the Detroit officials who denied Ms. Wilson a hearing were "no Alexander Hamiltons." Judge Amul Thapar had even stronger words, writing in concurrence that the county's willingness to return cars for a fee shows the "scheme is simply a money-making venture—one most often used to extort money from those who can least afford it."

The majority held that Detroit should be required to provide a hearing within two weeks of seizing cars. Judge Thapar would have required a hearing within 48 hours.

The Supreme Court should take a page from the Sixth Circuit. If the government takes a person's car—for many, their most crucial asset—then it should at least provide a speedy hearing.

Messrs. Johnson and Hottot are senior attorneys with the Institute for Justice, which represents Ms. Wilson.

Brace for the Wind and Electric-Vehicle Bailouts

LIFE
SCIENCE
By Allysia
Finley

nine months of this year.

Those losses will doubtless grow, and anyone who thinks Washington won't give auto makers another bailout should think again. Last week Munich-based Siemens Energy, one of the world's top wind manufacturers, said the German government is prepared to extend as much as €16 billion (or \$16.9 billion) in state guarantees to rescue it.

Government has invested too much politically and financially in renewables and electric vehicles to let the companies go bust.

In June Siemens blamed a "substantial increase in failure rates of wind turbine components" for its mounting losses—about \$4.8 billion this year—and warned that its financial problems could drag on for years as it repairs and replaces faulty equipment. The company has a backlog of orders from wind developers chasing government subsidies, but banks won't extend credit because of its financial troubles. Siemens wants Berlin to issue loan guarantees on the faulty premise that its failure could endanger the country's economy and national security. Wind is the new too-big-to-fail enterprise.

German leaders worry that Chinese manufacturers will take over wind manufacturing as they did solar-panel production a decade ago and are now doing with electric vehicles. China boasts 10 of the world's 15 largest turbine manufacturers and can sell turbines at half the price of European manufacturers, owing largely to its cheap coal power.

"These technologies will be produced anyway, and the question is whether Europe will have to import them," German Vice Chancellor Robert Habeck said Friday. That may be

true, but developers in Europe and the U.S. are scotching wind projects as rising costs and interest rates are making them unprofitable.

American companies are also pleading for government help. Large offshore wind developers in September importuned New York's Public Service Commission to increase contractual payments by an average of 48% to cover their costs. Regulators rejected their requests.

Now developers are mulling whether to cancel the projects if they can't coax more corporate welfare out of the Biden administration. Denmark's Orsted, the world's top offshore wind developer, and U.S. governors in the Northeast are lobbying the White House to boost subsidies in the Inflation Reduction Act to cover 50% of wind project costs.

Taxpayers and electricity customers will inevitably have to pay more to support wind energy, Orsted CEO Mads Nipper said last month. "And if they don't, neither we nor any of our colleagues are going to build more offshore," he warned. "It's very simple." Other wind executives are handing down similar ultimatums. One of the largest U.K. power generators, RWE, told the British government last week that its payments to wind developers would have to rise 70% if it wanted more projects built.

The European Commission got the message, and on Oct. 24 it announced more financial support for wind developers. How long before auto makers start begging for bailouts as they struggle to sell government-mandated EVs?

For now, auto makers are simply pumping the brakes on their electric-vehicle investments. Tesla recently paused plans for a new factory in Mexico. General Motors CEO Mary Barra last week scrapped the company's electric-vehicle production goals, citing flagging demand.

Honda on Oct. 25 scuttled plans to manufacture low-cost electric vehicles with GM. EVs are "a pretty brutal space," Mercedes CFO Harald Wilhelm said the next day. "I can hardly imagine the current status quo is fully sustainable for everybody."

Ford joined the pileup and post-

poned \$12 billion in planned electric-vehicle investment, stating that buyers weren't willing to pay a premium over gasoline cars—even with a \$7,500 federal tax credit and hefty state subsidies. "The customer is going to decide what the volumes are," Ford CFO John Lawler said. Has the company checked with its regulators about that?

Government is too invested to let these companies go bust, and taxpayers will be charged for the repair job.

Perhaps auto executives are looking at recent poll numbers, which show Donald Trump leading Joe Biden in key swing states. If Mr. Trump or another Republican wins the White House in 2024, he will no doubt scrap the Biden administration's electric-vehicle mandate and California's waiver under the Clean

Air Act that lets it set its own.

On the other hand, if Mr. Biden prevails, auto makers will need more government support—on top of the hundreds of billions in the Inflation Reduction Act—to meet his administration's aggressive mandates. Even if auto makers succeed in building lower-cost electric vehicles, there's no guarantee customers will buy them.

Ford Executive Chairman Bill Ford observed in an interview with the New York Times this month that electric vehicles have become collateral damage in a broader culture war: "Some of the red states say this is just like the vaccine, and it's being shoved down our throat by the government, and we don't want it."

He's right. Progressives aren't only force-feeding the green-energy transition. They are pushing their supposedly superior cultural values on a public that doesn't share them. If government mandates backfire on auto makers, taxpayers will be made to pay for repairing the industry's wreckage.

'Sorry' for Being So Blunt

By Brenda Cronin

What a luxury anonymity is. In the Dark Age of cancel culture, the un-self-conscious behavior and unpoliced thoughts of a private citizen are underrated. Yes, the fervent hordes clattering around TikTok and reality TV attest that many still prize celebrity, influence and their attendant financial promise. But fame's pitfalls, heightened by the eternal internet, also are underrated.

Consider Emily Blunt, a movie star who recently prostrated herself after being savaged online for fat-shaming. Her offense? Describing a woman who served her at Chili's as "enormous." Ms. Blunt unleashed the epithet more than a decade ago on "The Jonathan Ross Show," a U.K. television program where she was appearing to flog her latest film. Mr. Ross, who like Ms. Blunt is British, was whooping it up with his guest about lavish food portions in the New World, joking that "you can see why so many of our American friends are enormous." Ms. Blunt joined in with her account of the meal at Chili's—"the girl that was serving me was enormous"—without specifying which outpost in the nation-wide chain she patronized.

As she mimicked the woman's accent—"Did anyone ever tell you you look a lot like Emily Blunt?"—host and audience laughed along. Entertaining and unkind? Of course. Engagingly offensive? Come on.

When the interview aired in 2012, it didn't raise eyebrows. But after a clip of the chat reverberated recently around the internet, commentators let loose a shower of vitriol

that made "enormous" sound benign by comparison, slamming Ms. Blunt as "fatphobic," "horrible"—and far worse. The actor swiftly issued a fulsome apology in a statement to People magazine: "I'm appalled that I would say something so insensitive." She added, "I'm so sorry for any hurt caused. I was absolutely old enough to know better."

Is it progress that in 11 years our sensibilities became so refined that "enormous" is beyond-the-pale cruel and insensitive? How, then, to reconcile that delicate stance with the vulgarities, profanity and garden-variety coarseness in popular entertainment, everyday speech and social media? If the goal is civility and tolerance, what is accomplished by assailing someone for heedless unkind speech?

Ms. Blunt is a performer and her career hinges on audiences paying to watch her. Hence her mea culpa, which of course also was dissected online.

Happily, things are different for private citizens not in the limelight, who don't make movies and promote them on talk shows. One likes to believe we can think and speak freely—and preferably, kindly—about our servers, whether enormous, emaciated or somewhere in between.

Perhaps not. In its write-up of l'Affaire Chili's, TMZ.com—which knows a thing or two about fame's pluses and minuses—signed off with a cheery yet ominous tip: "Get those written statements ready, folks—they're coming for all of us!"

Ms. Cronin is an associate editorial features editor at the Journal.

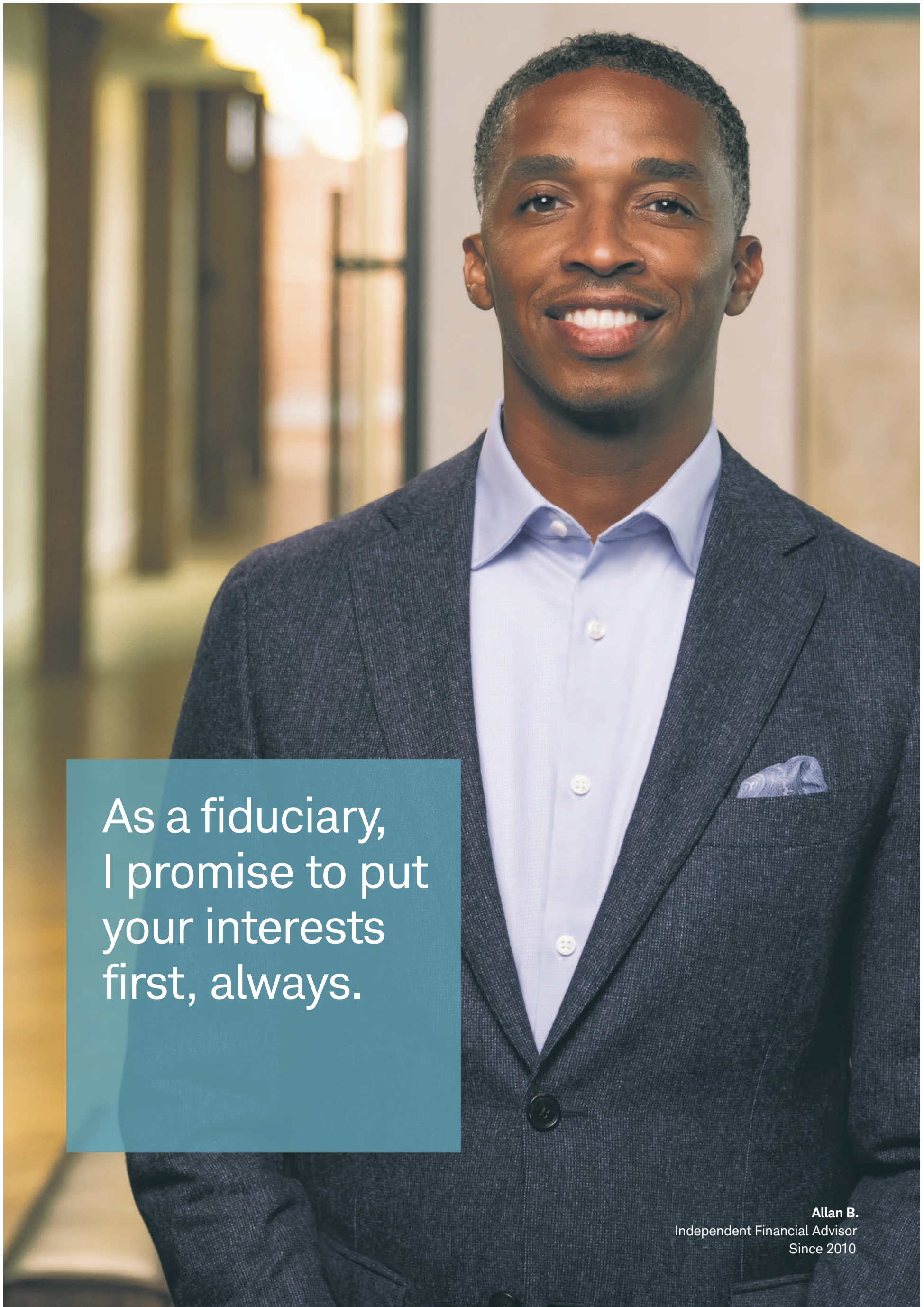
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Defense Firms Pushed on Supplies

Pressure mounts to lift production as worries rise about wars on two fronts

By DANIEL MICHAELS AND DOUG CAMERON

ARLANDASTAD, Sweden—Western defense officials worry that with Israel going to war as the West battles Russia by proxy in Ukraine, there won't be enough artil-

lery shells and other weapons to keep both allies in the fight.

The issue is concerning NATO planners even though Israel isn't a member of the alliance and few European countries supply it with military equipment.

But the North Atlantic Treaty Organization and its European members are deeply invested in supporting Ukraine against Russia's invasion, and the prospect of two hot wars potentially consum-

ing arms and equipment from the same stockpiles or supply chains is starting to worry officials.

"Of course" there are concerns about competition for military resources because of limited production capacity, said Göran Mårtensson, director general of the Swedish Defense Materiel Administration, which handles procurement for the country's defense ministry. "There will be more need for that limited production capacity in Europe and

the U.S."

Mårtensson spoke on the sidelines of the NATO Industry Forum, an occasional event assembling government officials, military brass and industry executives that this time drew more than 800 attendees. Sweden hosted the meeting as a candidate for NATO membership and hopes soon to become a full member.

Since Russia launched its large-scale invasion of Ukraine roughly 20 months ago, defense contractors across the

West have geared up production, but output remains below the volumes of ammunition and equipment being spent on Ukraine's battlefields.

Executives from Lockheed Martin, RTX, Boeing and others were at the NATO event and combined have hundreds of employees in Israel. They are working on joint ventures such as Israel's Iron Dome missile-defense system.

General Dynamics, the big- Please turn to page B2

TikTok Staff Fear Cuts Are Coming

SINGAPORE—TikTok is asking managers across the world to give more employees lower ratings in performance reviews, a move that staff fear could reduce bonuses and lead to layoffs, people familiar with the matter said.

By Liza Lin, Raffaele Huang and Georgia Wells

In mid-October, managers were told by senior management and staff in human resources that they needed to assign more performance reviews at the lower end of the company's bell-curve rating system, employees managing teams in the U.S., Singapore and China told The Wall Street Journal.

This could double or triple the number of subpar grades given on some teams this year, the people said.

Lower ratings—with "F" for failed and "I" for incomplete being the two lowest of eight grades—may translate into smaller bonus payouts, as the amount of yearly bonuses is typically determined by an individual's performance reviews, the people said. Earlier this year, TikTok changed its bonus schedule in a way that some employees expect will shrink their payouts.

A spokesman for TikTok called the Journal's characterization of the situation an oversimplification. "Our procedures encourage individual leaders to use their judgment, and they have responsibility for their team's performance distribution," he said.

The move comes as revenue growth at TikTok's Beijing-based owner, ByteDance, has been slowing amid regulatory scrutiny in the U.S., China's weakening economic growth and pressures on TikTok's e-commerce business elsewhere.

Managers at ByteDance also have been subject to similar demands to raise the number of lower ratings, the people said.

ByteDance, which is one of the world's most valuable private companies and owns several other buzzy apps in China, hired aggressively worldwide in the past several years as TikTok grew in popularity globally, especially during the pandemic. It employs more than 130,000 staff.

U.S. social-media giant Meta Platforms in February gave thousands of workers subpar reviews. Meta announced a month later it would begin slashing 10,000 jobs, citing the need to be leaner in a tough economy. Please turn to page B4



Meta Platforms, maker of the Oculus Quest 2 virtual reality headset, left, saw its market value drop more than \$30 billion, despite reporting strong earnings, while the value of Google owner Alphabet declined \$168 billion. But shares of e-commerce giant Amazon.com rose sharply on blockbuster results.

Tech Stocks Dive Despite Earnings Growth

By HARDIKA SINGH

The corporate earnings downturn is poised to end, but you wouldn't know it looking at the stock market carnage.

With the third-quarter earnings season nearly halfway over, companies in the S&P 500 are on track to post a 2.7% year-over-year increase in profits, according to a FactSet blend of reported results and consensus analyst estimates. That would mark the first earnings growth in four quarters.

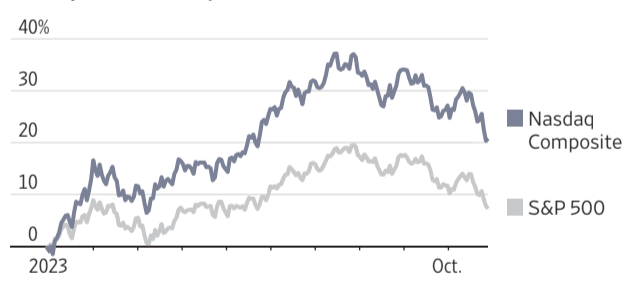
Yet few companies are reaping rewards for stronger-than-expected results. S&P 500 companies reporting positive earnings surprises have seen their shares fall an average of 1% in the period from two days before their report through two days after, compared with the five-year average of a 0.9% advance, FactSet data show.

The pain in the highflying technology sector has been particularly acute. Google parent Alphabet, for example, lost nearly \$168 billion in market value this week, despite posting its strongest business

Share-price performance over the past five days



Index performance, year to date



growth in more than a year. Meta Platforms, the owner of Facebook and Instagram, saw its market value drop more than \$30 billion even after it

reported its highest quarterly revenue since going public in 2012.

"The earnings recession is generally over, but when you

look at the Magnificent Seven, they were just priced to perfection, so I'm not surprised," said Gina Bolvin, president of Bolvin Wealth Management Group, of the group of tech stocks that led the market's first-half advance.

The stress in the tech sector spilled over into the broader stock market. The Nasdaq Composite dropped 2.6% for the week, while the broader S&P 500 fell 2.5%. Both indexes suffered corrections, falling more than 10% from their highs in July. The indexes are holding on to 2023 gains of 21% and 7.2%, respectively.

In the coming days, all eyes will be on Apple for further clues about the health of the industry. The iPhone maker is projected to report a 7.8% jump in earnings on Thursday. Nvidia, the graphics-chip maker at the heart of the frenzy over generative artificial intelligence, is due to report Nov. 21.

The tech trade started showing cracks in August. Strong economic data and a growing U.S. deficit powered

Treasury yields higher, providing investors with a risk-free alternative for parking their cash. When yields rise, investors become less likely to pay up for shares of companies promising high growth in the future. The 10-year Treasury yield recently hit 5% for the first time in 16 years, intensifying the tech selloff.

Some investors say they are nervous that more volatility is in store. Alphabet disappointed investors with its relatively weak cloud-computing sales, while continuing to wrestle with competitors developing AI. Its weekly market cap decline was its largest on record.

Meta, meanwhile, cautioned about its advertising spending going forward and warned of increasing operating losses because of its product-development efforts in the Reality Labs Division.

"Once earnings fell, it was normal that stocks won't really have a leg up, so they stalled

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◆ Ad companies suffer as advertisers spend less... B6

Hedge Fund Two Sigma Is Hit by Trading Scandal

By GREGORY ZUCKERMAN AND JULIET CHUNG

A researcher at Two Sigma Investments adjusted the hedge fund's investing models without authorization, the firm has told clients, leading to losses in some funds, big gains in others and fresh regulatory scrutiny.

The researcher, Jian Wu, a senior vice president at New York-based Two Sigma, was trying to boost his compensation, Two Sigma has told clients, without identifying Wu. He made changes over the past year that resulted in a total of \$620 million in unexpected gains and losses, according to people close to the matter and investor letters. Two Sigma has placed Wu on administrative leave.

The Securities and Exchange Commission is examining the matter. The commission had already been scrutinizing the firm after Two Sigma disclosed earlier this year that it was unable to make basic management deci-

sions. The Wall Street Journal has reported on deepening strife between the firm's founders over Two Sigma's direction and succession planning, among other issues.

The employee's identity, the impact of his actions on Two Sigma's performance and the latest SEC scrutiny haven't previously been reported.

"We are taking this matter extremely seriously and are taking steps to prevent similar issues from occurring in the future," Two Sigma told clients in a note viewed by the Journal.

Two Sigma is a quantitative-trading behemoth with \$60 billion in assets and around 2,000 employees. Its trading models—a quantum firm's secret sauce—are composed of thousands of lines of Java code that ingest various data and make investment predictions that dictate trades.

Wu's changes led to gains of \$450 million in total for some Two Sigma funds—in- Please turn to page B2

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Mortgage lenders are under such strain that they are trying to claw back bonuses. B5

U.S. Family Oil Dynasty Ends As Hess Sells Self to Chevron

By BENOÎT MORENNE

One of the first things you notice when entering the Hess Tower in downtown Houston is the original forest-green truck that Leon Hess drove around New Jersey nearly a century ago to deliver fuel.

Now, the Hess name is set to disappear from the ranks of the world's prominent oil companies. Chevron last Monday said it would acquire the family company for \$53 billion, concluding a 90-year saga bookended by the gruff founding father and his gregarious son, current Chief Executive John Hess.

The merger marks the end of an era as Hess was the last major U.S. oil company controlled by a single family. The enterprise was a throwback to the great family dynasties that propelled American industry, including the Rockefellers and the Gettys, and the luxury and glamour that accompanied them.

The Hesses transcended ple-



CEOs John Hess, gesturing, of Hess and Chevron's Mike Wirth.

beian roots to entance themselves in Manhattan and the Hamptons. Their oil empire afforded them the perks of outrageous wealth: private jets, Bahamian vacations, luxury real estate and, for a time, owning the New York Jets.

The dynasty has loomed large over the oil patch since 1933, when Leon Hess got tired of lugging bags of coal and

started distributing heating oil. Walking in the footsteps of John D. Rockefeller's Standard Oil, he built a fuel-marketing business that covered the East Coast with Hess-branded gas stations. He also ran what was once the world's largest refinery.

In the following decades, the company dotted North Dakota Please turn to page B2

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Wars Press Defense Firms

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gest U.S. artillery shell producer, said it expects the Israeli conflict to boost demand already elevated by Ukraine.

"The biggest one to highlight, and it sticks out, is on the artillery side," said Chief Financial Officer Jason Aiken of the recent \$106 billion supplemental funding request from the White House, which includes further support for Ukraine and Israel, as well as Taiwan. "The Israeli situation is only going to put upward pressure on that demand."

The Pentagon has sent back to Israel stocks of its shells relocated this year to replenish U.S. forces in Europe, a senior defense official said this week.

Boeing rushed shipments to Israel at the start of the latest conflict, including its small diameter bombs and joint direct attack munition kits that turn them into more precise weapons.

Normally, these would be sent by sea, but these came from existing Israeli orders and were flown over.

General Dynamics said it has been able to boost production of artillery shells and other munitions faster than expected, boosted by Pentagon investment in new facilities. The company is targeting annual production of one million shells, a fivefold increase.

Sales at its combat unit, which employs more than 2,000 staff in Europe, had been expected to be flat at best this year. They are up 15% so far this year, stoked by orders for shells, as well as for armored vehicles and military bridges. "Frankly, we don't see that demand signal slowing down," Aiken said.

NATO members' defense industries lack sufficient spare capacity to react to crises like now, alliance Secretary-General Jens Stoltenberg told the forum. "We need more of that to ensure that we have the production when we need it."

Most companies are producing as much as they can within their existing production facilities, and the next step would be new investments, said Esa Rautalinko, chief executive of Finnish armaments group Patria.

Bringing new facilities on-

line can take from two to five years, he said.

With demand increasing faster than production, prices of some supplies have soared. NATO-standard 155-millimeter artillery shells, one of the West's most basic armaments, had cost governments about \$2,100 apiece before Russia's invasion of Ukraine last year, said Dutch Adm. Rob Bauer, Stoltenberg's top military adviser, at the NATO forum.

The price of those shells, which Bauer dubbed "one of the most coveted objects in the world right now," has increased fourfold, to about \$8,400, he said.

Politicians have called on defense companies to expand capacity and accelerate output.

"If I were the industry, I would read the room and increase production," said Estonian Prime Minister Kaja Kallas, in Brussels.

Industry officials say they need assurances that demand won't drop at the cessation of hostilities, undercutting companies' investments, as has happened in the past.

"Both sides need to loosen the mutually destructive chokehold and stop waiting for the other to move first," Bauer said.

The U.S. has begun moving in recent months by pumping billions of dollars into retooled factories to produce more rockets, missiles, shells and rocket motors. It has issued almost \$25 billion in contracts to arm Ukraine and replenish U.S. stocks.

Bill LaPlante, the Defense Department's acquisition chief, has called in recent weeks for European countries to sign more contracts to encourage industry.

European governments have placed some orders, but not on the Pentagon's scale. The European Union in the spring pledged to provide Ukraine with one million artillery shells within one year, but is behind on that target, Kallas said.

Sweden and three other Nordic countries earlier this month announced a rare multicountry order for 155mm shells for Kyiv, valued at roughly \$54 million.

At the prices NATO's Bauer cited, that would deliver fewer than 7,000 rounds.

Mårtensson at the Swedish procurement agency, which led the order, said it could expand or add countries.

The U.S. is by far the largest supplier of military equipment and funding to Israel.

Trading Scandal Hits Fund

Continued from page B1

cluding those in which the firm's own executives and employees invest, as well as those available to clients. But they also led to a total of \$170 million in losses for other funds compared with how they otherwise would have fared—losses largely borne by clients. Two Sigma has made them whole.

People familiar with the situation said Wu was trying to improve the firm's perfor-

mance, which would have benefited his career and potential pay.

Two Sigma was already beset by friction between John Overdeck and David Siegel, the firm's founders. The Wu affair adds questions about Two Sigma's internal controls to concerns clients have about the effect of the internal squabbling on the firm's management.

Two Sigma's top executives this summer became aware of Wu's changes because they resulted in higher-than-expected correlations between some of the firm's trading models. The trail pointed to Wu, who made the changes in two stages over the past year.

In a letter to clients, Two Sigma described the activity as "intentional misconduct"

that violated the firm's internal procedures. One person close to the situation disputed the firm's characterization, saying Wu adjusted how Two Sigma's models were calibrated but didn't alter the models themselves. Calibration changes can be seen as more routine than a major change to the models.

It couldn't be determined if there are policies at Two Sigma prohibiting unauthorized calibrations of its models.

Big firms such as Two Sigma usually closely monitor and are fully aware of all important changes to its trading models. "In well-run firms, all changes—calibrations or model changes—are governed by procedures so that they must be disclosed and approved by the proper people,"

said Aaron Brown, a veteran quant who wasn't aware of Two Sigma's situation.

Wu joined the firm in 2018. Like many other researchers at Two Sigma, he is a Ph.D., having received his degree in operations research from Cornell University in 2017, according to his LinkedIn profile. In 2011, he received a bachelor of engineering degree from Beijing's Tsinghua University.

Meanwhile, Two Sigma earlier in October laid off roughly two-dozen recruiters after building up their ranks over the prior two years. One of the few such moves in the firm's history, the layoffs are a potential sign of slower growth ahead. The firm told its recruiters it has less need for them because it has experienced less attrition recently.

Oil Family Dynasty Is Over

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with rigs during the shale boom, drilled in the Gulf of Mexico and helped uncover one of the biggest oil fields in South America.

John Hess, 69, had hoped for his son Michael to take over the business as recently as 2013, but at some point dropped those plans, according to people familiar with the matter. Michael was cultivating other interests beyond the family business and pursuing a career in finance at top firms. Recently, the CEO hadn't anointed a successor and was prepared to remain at the helm of the company for years.

Michael Hess couldn't be reached for comment.

In 2013, hedge fund Elliott Management pushed for a board overhaul and a split of Hess into an international and a domestic company, among other changes. It eventually reached a settlement that saw Hess appoint three Elliott nominees on its board and John Hess relinquish his chairmanship—a heavy price to pay for the dynasty's survival.

"Many people would say, 'Oh, well, they won't want to sell their business because that's the Hess name, it's the Hess company,'" Marc Lipschultz, a director on the company's board, said of Hess's deal with Chevron. "He said, 'OK, it's the right strategic thing to do.'"

John Hess told employees last week that the merger would allow Hess to combine its growing oil resources with Chevron's sturdy balance sheet and diverse assets.

"My father always believed that there was something noble about a business that could create jobs for people," he said during a companywide meeting. "I just want you to know a lot of thought has gone into this."

Similar to the Rockefellers, the Hesses suffered near-fatal business wounds over the years and decided to spin off their prized retail segment. But they maintained a 9.5% stake in the company, the value of which has soared to more than \$4 billion—close to double what it was a decade ago.

The family's influence radiated from the East Coast, where around Christmastime loyal fans lined up at Hess gas stations to buy the company-branded toy



The Hess family dynasty has loomed large over the oil patch since 1933, when Leon Hess got tired of lugging bags of coal and started distributing heating oil in this second-hand truck.

trucks. The toys are held in special reverence by the family: John Hess is personally involved in the design of each new model, as his father was.

By age 7, John Hess was being groomed for succession, accompanying his father to foreign oil outposts. During that period, Leon Hess built what became the world's largest refinery in the U.S. Virgin Islands and merged the business with Amerada Petroleum to form Amerada Hess.

The elder Hess wildcatted in search of oil from Alaska to the North Sea, rubbing shoulders with heads of state as he built his empire. To a guest visiting his art-filled Manhattan apartment, he reportedly once showed a Rolodex card with investor Elliott Management.

After Elliott's intervention in 2013, Hess shed more than \$10 billion worth of assets—including its gas stations—to raise cash and become a nimble player focused on a few large oil-and-gas projects, such as North Dakota's Bakken Shale.

John Hess got a reprieve in 2015, when Exxon announced an oil discovery off the shores of Guyana, in South America. Hess had staked a 30% interest in the exploration project, which was later estimated to hold about 11 billion barrels of oil and gas, the largest modern oil find.

But the share price languished and Elliott came charging back in 2017, saying the company should get leaner and buy back more stock. It sought to oust John Hess, saying he

met him during a seminar on Middle Eastern oil there.

"He wasn't ghosting through, he was there to learn about this stuff," said Yergin, an energy historian. Years later, Yergin would attend energy conferences alongside the oilman and watch as he conversed with Middle Eastern ministers in Arabic, which Hess speaks fluently.

Under John Hess's leadership, the company forayed into new offshore frontiers and started drilling into shale-rock formations in North Dakota. But it suffered some costly misses in Indonesia, Brazil and Texas, and analysts said the company was spreading itself thin. Hess's lagging share price gave an opening to activist investor Elliott Management.

After Elliott's intervention in 2013, Hess shed more than \$10 billion worth of assets—including its gas stations—to raise cash and become a nimble player focused on a few large oil-and-gas projects, such as North Dakota's Bakken Shale.

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But the share price languished and Elliott came charging back in 2017, saying the company should get leaner and buy back more stock. It sought to oust John Hess, saying he

had amassed a two-decade record of middling performance. Hess headed off a potentially mortal proxy fight when the company agreed to purchase additional shares.

In the years since, the company's stock skyrocketed as Guyana has taken off, vindicating the CEO's strategy to funnel cash from its Gulf of Mexico and Malaysia assets to grow in the Bakken and develop the offshore enterprise. Hess's stock hit a record around \$166 in the days before the deal.

John Hess had previously discussed a potential tie-up with Chevron CEO Mike Wirth, but Hess's valuation wasn't high enough for a deal to happen, people close to him said. Talks picked up pace in the last six months, leading to an agreement for Chevron to buy Hess for \$171 a share based on Chevron's closing price the Friday of the previous week. John Hess will join Chevron's board. "The activist attacks by Elliott, if they had been successful, would have left shareholders with far less than they're getting in the Chevron transaction," said Martin Lipton, a founding partner of law firm Wachtell, Lipton, Rosen & Katz and a longtime Hess adviser.

Elliott Management declined to comment.

On his desk, Lipton keeps a version of the first toy truck made by Hess and last year's model. The dynasty may disappear, but fans will be able to keep collecting the toys. "The tradition will continue," John Hess said in an interview this week. "In fact, next year is the 60th anniversary. I already know what the model is, but I can't tell you."

—Bradley Olson and David Benoit contributed to this article.

PHILIP MONTGOMERY FOR THE WALL STREET JOURNAL

BUSINESS NEWS

Musk's Views on Future Turn Dour

Billionaire has been in a dark place amid worries about war and U.S. resilience

By TIM HIGGINS

In many ways, Elon Musk is the world's biggest doomsday prepper.

The billionaire entrepreneur has made his fortune and reputation chasing a future bettered by technology. The flip side of his optimism is a fixation on worst-case scenarios he is determined to avoid.

And these days, Musk sounds worried—about everything from cyclical business jitters to existential global concerns. He choked with emotion during a recent public conference call with **Tesla** analysts about the economy. Last week he warned during a forum on X about “civilizational risk” stemming from the Israel-Hamas war cascading into a wider conflict that would pit the U.S. against a united China, Russia and Iran.

“I think we are sleepwalking our way into World War III,” Musk said last Monday.

Not exactly the jovial Musk many are familiar with from “Saturday Night Live” or his X feed, where he often shares crude and childish jokes with his more than 160 million social-media followers.

But over the years, Musk has framed his business endeavors as striving to prevent calamity, a motivating ideal that helps inspire employees, investors and fans while inducing eye rolls among critics and rivals.

Big plans

For Musk, Tesla is about trying to save humanity from global warming while SpaceX is about making humanity a multi-planetary species in case things don't work out on Earth.

A year ago, with the purchase of Twitter-turned-X, Musk couched the decision as keeping the social-media platform as a bastion for free speech in what he sees as a larger battle against cultural forces trying to squash diverse thought—or, as he calls it, the “woke mind virus.”

Musk said last month: “I tend to view the future as a series of probabilities—there's certain probability that something will go wrong, some probability that it'll go right; it's kind of a spectrum of things. And to the degree that there is free will versus determinism, then we want to try to exercise that free will to ensure a great future.”

Comments last week about World War III echoed concerns Musk has raised about the conflict between Ukraine and Russia. “Nuclear war probability is rising rapidly,” he tweeted last fall after months of fighting between the two countries.

Geopolitical opinion

Musk has been praised and criticized for his involvement in that war, including when he said last year that Crimea rightfully belonged to Russia, a statement seen by some in Washington as being pro-Russian. He drew further rebuke after declining to activate

SpaceX's Starlink satellite communications system in Russia-occupied Crimea to aid a planned attack.

He said he worried that activating Starlink then would have further stoked the conflict. “I think if the Ukrainian attacks had succeeded in sinking the Russian fleet, it would have been like a mini Pearl Harbor and led to a major escalation,” he is quoted as saying in Walter Isaacson's new biography, “Elon Musk.”

Last week, Musk returned to calling for peace, saying U.S. policies risk pushing Russia into an alliance with China just as the Israel-Hamas war has the potential to expand. He cautioned that many people overestimate U.S. military might in such a scenario.

“We're like a pro sports team that has been winning the championship for so long and so many years in a row that we have forgotten what losing even looks like,” Musk said. “And that's when the champion team loses.”

Gauging his mood

Over the years, employees and investors have had to learn how to interpret and navigate Musk's emotional ups and downs.

Shares of Tesla, where he is chief executive, are down about 15% since the electric-car maker's third-quarter earnings call on Oct. 18, when he worried about the threat of high interest rates to the business and suggested a slowdown ahead.

“I apologize if I'm perhaps more paranoid than I should be, because that might also be the case because I have PTSD from 2009—big time,” Musk said, referring to a painful year for Tesla and the rest of the auto industry. Both **General Motors** and **Chrysler** went through government-backed bankruptcy restructurings that year after credit seized up and sales collapsed.

“And then,” Musk continued, mentioning another near-death experience for Tesla, “2017 through 2019 were no picnic either. There was very tough going.”

Those close to him know that he can become paranoid—sometimes rightfully so, other times not so much.

Hope for mankind

In spring 2022, Musk was predicting a recession would last as long as 18 months. “Companies that are inherently negative cash flow (ie value destroyers) need to die, so that they stop consuming resources,” he tweeted. Weeks later, Tesla announced it was shedding workers. That predicted recession hasn't occurred.

“My brother believes an economic winter is coming every single day,” Kimbal Musk once told lawyers about his older sibling's mindset during a legal procedure.

The older Musk isn't just worried about the fragility of markets but humanity itself.

“To be frank, civilization is feeling a little fragile these days,” Musk said last year during an update on SpaceX's large rocket development. “I'm an optimist, but I think we got to protect the downside here and try to build that city on Mars as

soon as possible and secure the future of life.”

Among his stated worries, of which he has tweeted: “a big rock will hit Earth eventually & we currently have no defense” and “population collapse due to low birth rates is a much bigger risk to civilization than global warming.”

His darker thoughts have influenced his consumer products. For years, Musk has touted an air-filtering system on Tesla vehicles that could defend against a bio attack and has promised the coming Cybertruck is bulletproof.

“Things are seeming more apocalyptic these days,” Musk said in summer 2020 during an interview with *Automotive*



Tesla CEO Elon Musk has warned of ‘civilizational risk’ stemming from the Israel-Hamas war.

News. “Let me tell you, the truck you want in the apocalypse is the Cybertruck.”

This summer, he framed his creation of an artificial-intelligence startup called xAI in his typically grandiose terms, cautioning that the technology has the potential to spiral out of control and essentially turn on its master, something akin to

the movie “The Terminator.”

“I think it's actually important for us to worry about a ‘Terminator’ future in order to avoid a ‘Terminator’ future,” he said.

Voicing his concerns about such calamity might be the best way for him to deal with his worries. Or, at least, that is the advice he has given others.

“Accept worst case outcome & assign it a probability, which is usually very low. Now think of good things in life & assign them probabilities—many are certain!” he tweeted a couple of years ago. “Bringing anxiety/fear to the conscious mind saps it of limbic emotional strength.

“Cheery fatalism is very effective.”

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A Look at the Current State of Crypto And What's Ahead for the Week



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CS Disco Tries to Fix Its Culture

Following exit of CEO Camara, some staff called for a board investigation

BY EMILY GLAZER AND THEO FRANCIS

Kiwi Camara is gone from CS Disco, but the legal software company's troubles aren't.

The Harvard Law School prodigy's abrupt exit in September after an employee's sexual-assault complaint has laid bare unrest at CS Disco that goes beyond the personal behavior of a chief executive who was awarded a \$110 million pay package in 2022.

Current and former employees say the company had an unhealthy culture in which Camara and his leadership team didn't acknowledge mistakes or respect the expertise of its employees. They say leadership didn't openly address workplace complaints, and they have called on the board to conduct an independent investigation—which the company says it is doing.

These employees, who worked across multiple departments, also raised concerns with The Wall Street Journal about how the company handled clients and product issues. They said the company didn't always adequately notify customers when it had billing problems or made fixes to its software.

Some clients, including McDonald's, Peloton Interactive and Lyft, are exploring alternative vendors, according to employees and other people familiar with these matters. A few large law firms, including Clyde & Co. and Orrick Herrington & Sutcliffe, also are reviewing their work with CS Disco.

In a statement, CS Disco said it was taking action to ensure a constructive workplace and that it has high customer satisfaction levels. It said any product problems and billing issues are rare and quickly addressed.

"We believe that the quality of our innovative products and high level of customer service are reflected in the significant growth in customers to more than 1,400 this year," CS Disco said. Camara didn't respond to requests for comment.

This article is based on in-



Kiwi Camara left the firm after a sexual-assault complaint.

terviews with current and former CS Disco employees, other people familiar with its business and documents reviewed by the Journal.

'Toxic culture'

Camara had run the company since he co-founded it in 2013. CS Disco gave little explanation when he resigned, and the board's chairman praised the departing CEO for his dedication in a Sept. 11 news release. Camara left shortly after the board opened a probe into a complaint that he groped a female employee at a dinner with staff, the Journal has reported. The status of the board's investigation couldn't be learned.

A group of more than 150 of CS Disco's roughly 600 employees wrote a letter on Sept. 27 to the board raising concerns about what they called the company's "toxic culture" and that leaders hadn't been forthcoming about Camara's exit.

"Rather than being open and transparent, the truth was hidden," said the letter. "This raises concerns that other bad actors and enablers might escape accountability."

The letter followed several contentious all-hands meetings, in which some employees pressed interim CEO Scott Hill, a board member since mid-2021, on Camara's alleged misconduct and whether the company planned to review how past complaints were handled.

The CS Disco board replied in a letter to staff on Sept. 28 that it would hire a new outside law firm to review the company's handling of past in-

vestigations and would tap a consultant to repair its culture based on employee feedback. The board also is searching for a new CEO.

"We also acknowledge the pain and frustration reflected in the letter we received," the board wrote in a letter signed by all the directors. "We are committed to working with you to return Disco to a place we can all be proud of."

CS Disco told the Journal that it has since engaged the law firm of Paul, Weiss, Rifkind, Wharton & Garrison to review workplace policies. "We will continue to take action to foster a safe and supportive workplace for all employees," it said.

Product problems

While CS Disco may not be well known outside of legal circles, its software is widely used. Law firms and corporate legal teams use it to sift through documents to find relevant material that could be used as evidence, a process called discovery.

The traditional discovery process of having humans sift through documents can be tedious and miss relevant materials. CS Disco's tools can sort through millions of documents and streamline hours of legal work.

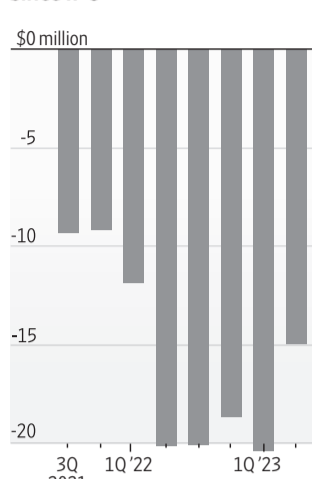
Some CS Disco employees told the Journal they were proud of its products and some customers said the tools work as expected. Southwest Airlines, for instance, said it uses CS Disco's platform, including for 737 MAX litigation, and it hasn't encountered service issues. Other customers have run

CS Disco's weekly share price since IPO



Sources: FactSet (share price); S&P Capital IQ (losses)

CS Disco's quarterly net losses since IPO



into problems with CS Disco's technology, such as incomplete search results and inadvertent sharing of client documents with the wrong users, according to the current and former employees and other people familiar with the business.

In early 2022, a client discovered that CS Disco's software hadn't properly reviewed the contents of emails, leaving messages at least partially unprocessed, some of these people said. The company addressed the problem for the client that raised the issue.

CS Disco also provides a service called managed review, which uses a combination of CS Disco legal staff and technology to process discovery on behalf of clients. The company's website describes it as "AI-powered document reviews that are on time and on budget."

One client, Koch Industries, ran into significant problems with the managed review service in 2020, some of the people said. CS Disco waived the majority of the fees for a project after poor communication led to errors in the document review, which Koch's internal processes identified and resolved. The conglomerate no longer uses CS Disco for that service.

CS Disco said more broadly, "In rare instances when an issue arises with a product or document review, we promptly notify the customer and remediate the situation to their satisfaction."

Credits and costs

CS Disco also has experienced billing problems with

some clients such as law firm Clyde and McDonald's, which earlier this year put out a request for alternate vendors when its contract was coming up for renewal, the employees and other people familiar with the matter said. It has cut off some clients' access to their documents during billing disputes, including Peloton, these people said.

Billing disputes aren't uncommon in the industry, but CS Disco was unusual in its willingness to cut off client data, industry participants say. When clients called the company to complain after billing cycles, some would receive "courtesy credits" to keep them happy. In January, Camara directed staff not to use those as frequently.

Earlier this year, CS Disco initially offered credits to Peloton ahead of its contract renewal when the company pointed out that its retainer was much larger than its usage.

While the companies were renegotiating terms and agreed Peloton wouldn't pay its monthly bill until it was sorted out, CS Disco cut off Peloton's access to its data. Peloton is in the process of moving some of its data elsewhere, people familiar with the matter said.

CS Disco told the Journal that customers raise few billing concerns among about 50,000 invoices a year, and those that do come up are addressed quickly and transparently. It said customer usage of its products often depends on developments in their cases and clients may stop or reduce use as matters are resolved.

X Debuts Two New Premium Subscription Offerings

BY ALEXA CORSE

X Corp. said it is launching two new subscription tiers, representing the latest effort by Elon Musk to boost the company's subscription revenues while its advertising business continues to struggle.

On Friday, X, formerly known as Twitter, began offering a \$16 monthly tier called Premium+, which is more expensive than its previously existing option and offers the benefit of not showing the user ads in the For You or Following feeds. It also includes a host of other features such as boosted visibility, the ability to edit posts and post longer videos, and others.

The company previously offered a single subscription tier, called X Premium, which starts at \$8 monthly and is still an option.

X also is launching a less-expensive tier costing \$3 monthly for users who sign up via web browser, which the company said will include access to most key Premium features.



Linda Yaccarino

While advertising makes up most of the company's revenue, Musk has been seeking to grow subscriptions. He told employees shortly after taking over a year ago that the company needed to get roughly half of its revenue to come from subscriptions.

One of Musk's biggest changes after acquiring the platform was overhauling its subscription service, which was previously known as Twitter Blue and is now called X Premium. Musk tied blue-check verification and some visibility boosting to that subscription service, which also has upended how people determine who is authentic on the site. Those changes have been polarizing, frustrating many users though others have applauded Musk's moves.

X has been struggling to rebuild its advertising business after many advertisers pulled back from the platform following Musk's takeover out of concerns about Musk's approach to content moderation and management.

Advertising represented almost 90% of Twitter's revenue in 2021, the last full year it publicly reported financial results before Musk took the company private.

X Chief Executive Linda Yaccarino, a veteran ad industry executive, has been working on rebuilding the company's ad business since she joined the company in June. Yaccarino has recently said the business is seeing improvements, noting last month that 90% of the top 100 advertisers from last year are back.

Still, many large advertising agency executives say they have yet to see a large-scale return to X and that some brands are returning to the platform but spending much less. Musk posted in September that X's U.S. advertising revenue was down 60% since the acquisition. He also said that revenue is slowly improving.

Musk also has said that charging users will help combat fake and spam accounts, though many industry analysts and users have raised doubts about that approach.

Earlier this month, X began charging users creating new accounts on the web in New Zealand and the Philippines a \$1 annual fee to post content, like posts, reply or do other key functions. The company said it is testing the program in those two countries.

TikTok Staff Fear Layoffs

Continued from page B1

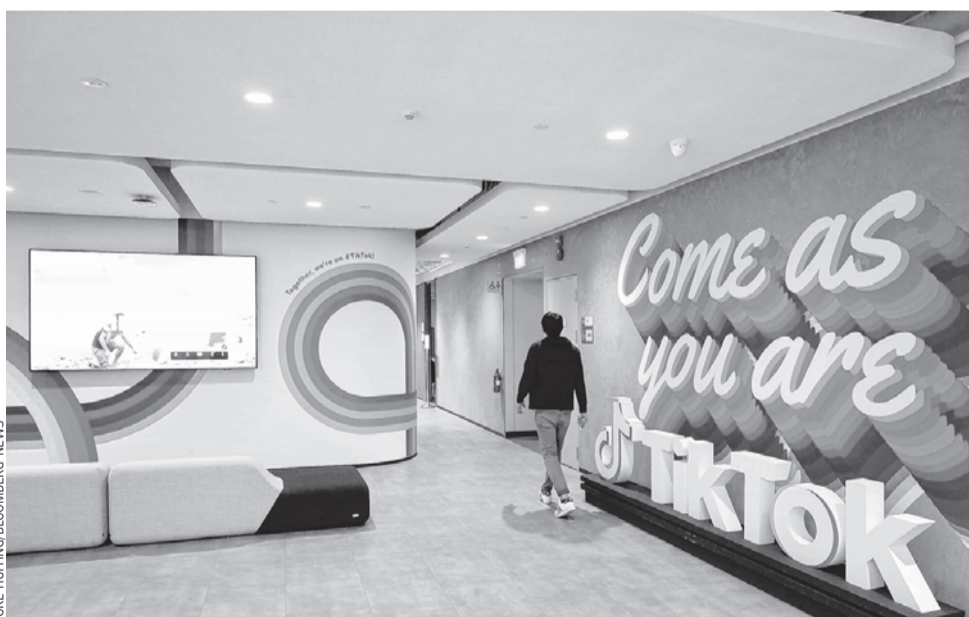
Meta leadership also lowered bonus payouts to employees this year before those staff cuts.

Other U.S. tech companies including Amazon.com, Microsoft and Google, also have unveiled staff layoffs in the past year.

Large companies from General Electric to AIG to Microsoft over the years aggressively used performance ratings to rank their staff and identify underperformers to weed out. Some stepped back from the practice in light of the damage it did to morale.

TikTok assesses staff performance twice a year, and based on those evaluations, every employee is given a final rating at the end of the year, people familiar with the company said.

TikTok managers must rate staff on a bell-curve performance grading, in which an



TikTok asked managers to give more employees lower performance ratings. Singapore offices.

employee's grade is evaluated based on the performance of the rest of the team.

Within TikTok, the trust-and-safety and commercial units have been among the affected teams, some of the people said. Its trust-and-safety team sets policies for content on the app and plays a key role in filtering misinformation, which is under increased scrutiny during the Israel-

Hamas war.

ByteDance also has asked managers at Lark, its Slack-like messaging-platform division, to lower the ratings of their staff.

TikTok has eight different performance ratings for its employees. Employees with an "F" will likely be fired, while staff who are put in "I" and "M-" (M for meeting expectations) categories are called in

for meetings with managers and human resources, the people said.

Those who receive an "I" will often be put on a performance-improvement plan, in which typically the employees will be given higher targets. Many take this as a sign they should be hunting for a job.

In August, staff also received an email telling them that they would receive a pro-

rated bonus for work this year of 10 months instead of 12 months, the people said.

ByteDance is betting on a global push by TikTok into e-commerce to boost its revenue this year, expanding into Western markets such as the U.S. and the U.K. Still, TikTok's online retail business hit a roadblock in Southeast Asia this month, as it halted transactions on its platform in Indonesia, one of its biggest markets, after the country banned e-commerce trade on social media.

TikTok's Southeast Asia head of e-commerce at a Tuesday all-hands meeting told staff that his division wouldn't conduct layoffs, people familiar with the matter said, though the unit cut budget and sales targets by around a third for the October-December quarter.

In China, ByteDance axed thousands of jobs in the first half of 2022 after a sweeping regulatory crackdown on the country's biggest internet companies and as macroeconomic challenges grew.

ByteDance's revenue growth slowed to about 38% in 2022, from 80% a year earlier, according to a financial report shared with employees.

Shares of Technology Firms Dive

Continued from page B1

out. But once they post another quarter of strong earnings, you would expect that at some point it starts getting reflected in the stock price," said Ivana Delevska, founder and chief investment officer at Spear Invest.

All the news isn't bad

among big tech companies. Amazon.com reported blockbuster results, sparking a 6.8% rally in its shares Friday, their biggest one-day gain since early August. The e-commerce giant said its profit tripled to nearly \$10 billion thanks to strong sales in its cloud-computing, advertising and retail units.

Microsoft shares climbed 3.1% Wednesday, their best day since July, after the company said sales growth accelerated as demand for its cloud computing services heated up, thanks to growing enthusiasm for AI.

Despite their recent pull-

back, some of the big tech stocks still look fairly pricey relative to history. Microsoft is trading at 28 times its projected earnings over the next 12 months, above its 10-year average of about 23. Apple is priced at roughly 25 times future earnings, versus its average multiple of nearly 19. The S&P 500, in comparison, carries a multiple of 17.

Some investors are already hunting for stocks they say have declined enough to become attractive again. Nancy Tengler, chief executive at Laffer Tengler Investments, said she recently added to her positions in Oracle and Adobe.

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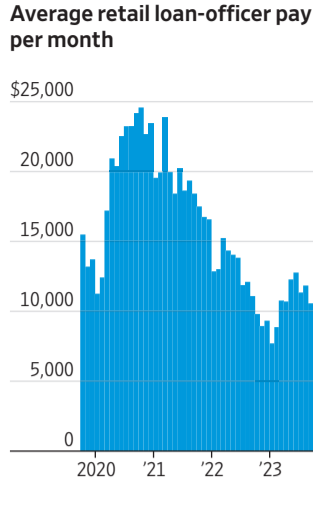
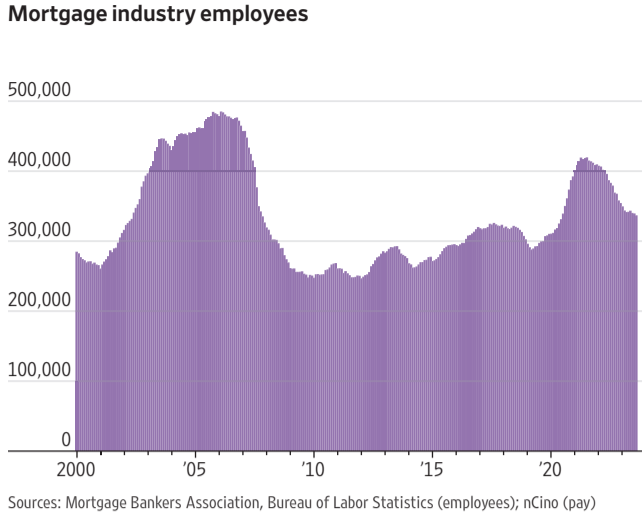
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Sherwin Williams. Novi, MI.

For info: kjalbers@live.com

BUSINESS NEWS



Ex-staffer Oren Orkin called Guaranteed's culture 'toxic.'



St. Lawrence Seaway Reopens After Strike By Canadian Union

By Robb M. Stewart

OTTAWA—A key trade route connecting the Great Lakes with the Atlantic Ocean was set to reopen Monday after a tentative deal was struck to end a weeklong strike by Canadian workers on the St. Lawrence Seaway.

The nonprofit company that operates the Canadian side of the seaway reached a wage deal Sunday with Unifor, the trade union representing 360 workers who operate lock systems, bridges and other infrastructure along the Canadian side of the seaway.

The agreement is set to be ratified by employees in the coming days, but workers were set to return to work Monday morning, and St. Lawrence Seaway Management said it will begin a recovery plan and start passing ships progressively.

Talks resumed Friday after an impasse was reached and workers walked off the job on Oct. 22.

Unifor said details of the agreement will first be shared with its members and will be made public once a deal is ratified.

The St. Lawrence Seaway is an important trade corridor on both sides of the Canada-U.S. border.

The strike forced U.S. Great Lakes St. Lawrence Seaway Development, the company that handles the U.S. side of the seaway, to close two locks in New York and meant that no ships on either side of the border could enter or transit the seaway.

The walkout marked the first strike-related closure of the Great Lakes St. Lawrence Seaway system since mid-1968.

"We have in hand an agreement that's fair for

workers and secures a strong and stable future for the seaway," St. Lawrence Seaway Management President and Chief Executive Terence Bowles said.

Industry groups in Canada had been calling on the federal government to step in to help resolve the labor dispute. The Canadian Chamber of Commerce estimated that after one week, the impact of the strike reached an estimated 900 million Canadian dollars, the equivalent of \$648.7 million, as the flow of goods through the seaway was halted.

Ships carry important exports through the seaway such as grain, iron ore and potash as well as fuel for transportation, fertilizer for crops, gypsum and cement for construction, as well as other goods connected to factories and farms in Canadian provinces and in the U.S. Midwest.

According to U.S. Great Lakes St. Lawrence Seaway Development, a recent economic-impact analysis of commerce through the seaway found that in 2022 the waterway handled more than 36 million tons of cargo and supported more than 24,000 jobs in the U.S. and 42,000 in Canada.

U.S. employees on the seaway remained on the job through the strike, and have been working on maintenance projects at U.S. locks until shipping traffic resumes.

The walkout was the second strike to affect a major part of Canada's shipping network this year. Workers at British Columbia ports on the country's west coast shut down cargo facilities there for almost two weeks in July, affecting trade and weighing on the activities of manufacturers and other businesses.

Mortgage Firms Want Bonuses Back

Business has dried up so much that companies are suing former employees

By Ben Eisen and Andrew Ackerman

David Siegel went to work for an affiliate of **Guaranteed Rate** in 2021 and got a signing bonus of more than \$100,000. Interest rates were super low and mortgage bankers were raking in cash.

Now that business has dried up, the mortgage company wants its money back. He said it fired him one month shy of the date when it could no longer ask for the bonus back, then demanded the money. Guaranteed Rate and its affiliates also are telling hundreds of other former employees that they have to return their signing bonuses, people familiar with the matter said.

"It seems like they realize they aren't making money in their mortgage business, so the way to get income is to claw back the payments," said the New Jersey-based Siegel.

Guaranteed Rate declined to comment on individual employees. But its general counsel, Anwar Shatat, said, "We are not going to be apologetic about exercising our legal rights to recover our money."

The mortgage industry is

notoriously boom or bust, but this bust is especially bad—and it is only getting started.

Unlike previous housing downturns, there is no obvious way out. If the economy keeps chugging along, then the Federal Reserve will continue to keep rates high—which would in turn keep the housing market in the dumps. If the economy sinks, the Fed may loosen rates—but a recession wouldn't do the housing market much good, either.

Many mortgage companies are growing desperate. They are laying off workers, merging with other lenders or exiting the business altogether.

Some former regulators and industry officials say the current period is worse than the 2008 financial crisis, when at least falling rates spurred a large refinancing wave. Because so many borrowers already locked in ultralow-rate mortgages during the pandemic, there is no big refinancing rescue on the way.

"I've been in this business 40 years and I don't remember a correction like this," said David Stevens, a former housing-finance regulator who now consults for the industry.

Mortgage application activity is now at its lowest level in nearly 30 years, according to the Mortgage Bankers Association.

Many lenders already have decided they can't go it alone. Of the top 500 lenders two years ago, there are now about 435, according to Garth Graham, a senior partner at Stratmor Group, a mortgage advisory firm.

Mortgage industry employment has declined 20% to about 337,000 people from 420,000 in 2021, according to Bureau of Labor

Statistics data compiled by the MBA, which anticipates a further 10% decline.

Those still employed are earning less. Loan officers' average monthly pay in September was down

by more than half from three years earlier, according to financial technology company nCino.

Chicago-based Guaranteed Rate is one of the biggest mortgage lenders in the U.S. Its mortgage production surged from \$37 billion in 2019 to \$115 billion in 2021, according to industry research group Inside Mortgage Finance.

The company brought on veteran bankers from big mort-

gage shops, aided by an internal software program that identified people to hire and what signing bonus to offer them, people familiar with the matter said. Many bankers were handed hundreds of thousands of dollars upfront. The highest-performing few got \$1 million or more.

Things didn't always translate when the new employees came to Guaranteed Rate. Many found that Guaranteed Rate couldn't offer the same low rates that their former employers had. And it got more difficult to win business when rates increased across the board, they said.

In 2022, Guaranteed Rate's originations dropped by more than half to about \$53 billion, according to Inside Mortgage Finance.

"It became super toxic," said Oren Orkin, who worked in the company's headquarters for nearly a decade and left in September.

Signing bonuses aren't unusual in the mortgage industry, and they were particularly big during the recent boom. Neither are attempts to get them back, especially in the current bust.

Nations Lending and Cross-Country Mortgage, both based in the Cleveland area, also have been tussling with former employees over six-figure signing bonuses, according to lawsuits filed by the companies against the former employees.

Unlike previous housing downturns, there is no obvious exit.

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BUSINESS NEWS

Ad Companies Continue to Suffer As Tech Firms Reduce Spending

By MEGAN GRAHAM

Some of the major advertising holding companies are still feeling the impact of lower spending from technology clients—with some hit harder than others.

Recent quarterly results from Interpublic Group, Omnicom Group, WPP and Publicis Groupe showed that many of their units are seeing more caution from some advertisers, slower project work, delayed starts of new business or other signs of a pullback.

It is a continuation of a trend agencies started to report earlier this year, when they said tech and telecom clients were spending less. Facebook and Instagram owner Meta Platforms, for instance, last Wednesday said its outlays for marketing and sales in its third quarter had decreased 24%, primarily due to lower marketing spend and headcount-related costs.

WPP, which reported third-quarter earnings Thursday, again saw reduced spending from its tech clients. The ad giant downgraded its expectations for this year, now saying it expects like-for-like revenue less pass-through costs to grow in a range of 0.5% to 1%, down from an earlier forecast of 1.5% to 3%. Like-for-like revenue less pass-through costs strips out currency fluctuations, acquisitions, disposals and costs such as expenses billed to clients.

The third quarter “was a little bit tougher than we had expected,” WPP CEO Mark Read said in an interview. “We are seeing continued pressure from tech companies. I think that, combined with the broader environment, makes us a little bit more cautious about the outlook for the year overall.”

The lower tech spending will persist into next year, he added. “I think that spend will turn around next year,” Read said. “It’s too early to say yet



Recent quarterly results from ad companies indicate more advertisers are exercising caution.

which quarter.”

WPP has also set on a plan to simplify some of its business operations, for example, with the recently announced merger of two of its major agencies.

“The advertising market as a whole is suffering from tech’s ‘year of efficiency’ with the once-gushing flow of dollars from the industry slowing to a trickle,” MoffettNathanson analysts said in a recent note. “And the sudden withdrawal has indeed laid bare just how dependent certain actors have become on that flow.”

Interpublic Group, or IPG, is one of those actors, MoffettNathanson said, with management reporting a 3.2% decline in third-quarter growth from technology and telecom clients and underperforming digital specialist agencies. IPG owns agencies such as McCann Worldgroup, R/GA and IPG Mediabrands.

CEO Philippe Krakowsky said during the company’s recent earnings call that client budgets in the tech sector have seen significant cost-cutting in line with broader austerity efforts. The company said organic net revenue decreased

0.4% in the third quarter compared with a year prior.

“While it’s challenging to call the timing of the upturn in their marketing spend, we do believe that the current pressure on this sector will abate since these market leaders will need to return to growth mode,” Krakowsky said.

Like WPP, IPG said it was taking a harder look at its own operations.

On Sunday, Wells Fargo lowered its organic growth forecasts for IPG because of those pressures. “A soft landing for agencies looks less likely,” Wells Fargo analysts wrote.

Competitor Omnicom, which reported organic growth of 3.3% in the third quarter, said it saw less of its overall revenue coming from technology and telecom clients.

But leaders at Omnicom, whose portfolio includes BBDO, DDB and TBWA, expressed optimism that companies would invest in their brand despite a difficult environment.

“In my opinion, ’23 was the first time the tech sector had to face readjusting its business,” Omnicom CEO John

Wren said on an earnings call. “And people, earlier in the year, went through massive layoffs and cutbacks of their own staffing, which they hadn’t had any experience in their history of even needing to do. It was pure growth prior to this year. That’s behind them now.”

Publicis Groupe, meanwhile, saw organic net revenue rise 5.3% in the quarter. The company said some clients for its business-transformation services are maintaining a wait-and-see approach.

But Citi analysts noted that certain factors are helping Publicis. The holding company’s client mix is working in its favor, and while it is seeing some of the pressures experienced by competitors, “it has lower exposure to these factors than some of its peers and its new business performance helps offset any significant pressure,” analysts wrote in a note earlier this month.

“We delivered a strong Q3, ahead of expectations in a global context that has become increasingly challenging throughout the quarter,” Publicis CEO Arthur Sadoun said.

THE TICKER

MARKET EVENTS COMING THIS WEEK

Monday

Table with 2 columns: Earnings expected (Estimate/Year Ago) and values for Arista Networks, McDonald's, ON Semiconductor, Public Storage, and Simon Property.

Tuesday

Table with 2 columns: Fed 2-day meeting begins, Chicago PMI, Consumer Confidence, Employment cost index, and Earnings expected (Estimate/Year Ago) for Advanced Micro Devices, Amgen, Caterpillar, Eaton, Marathon Petroleum, and Pfizer.

Wednesday

Table with 2 columns: Fed rate-policy meeting, Construction spending, EIA status report, ISM mfg. index, and Earnings expected (Estimate/Year Ago) for Humana, McKesson, and Mercadolibre.

Thursday

Table with 2 columns: Initial jobless claims and EIA report: natural gas.

Unit labor costs

Table with 2 columns: 2nd qtr., prev. up 2.2%, 3rd qtr. prel. exp. up 0.8%

Freddie Mac mortgage survey

Table with 2 columns: Previous weekly averages, 30-year fixed 7.79%, 15-year fixed 7.03%

Factory orders

Table with 2 columns: Aug., previous up 1.2%, Sept., expected up 1.5%

Earnings expected

Table with 2 columns: Estimate/Year Ago and values for Apple, ConocoPhillips, Eli Lilly, S&P Global, Starbucks, and Stryker.

Friday

Table with 2 columns: Nonfarm payrolls, Sept., previous 336,000, Oct., expected 175,000

Unemployment rate

Table with 2 columns: Sept., previous 3.8%, Oct., expected 3.8%

Earnings expected

Table with 2 columns: Estimate/Year Ago and values for Dominion Energy, Gartner, Liberty Media Liberty, Formula One, Liberty Media Liberty, SiriusXM, Microchip Technology, and Sempra.

* FactSet Estimates earnings-per-share estimates don't include extraordinary items (Losses in parentheses) ♦ Adjusted for stock split

Note: Forecasts are from Dow Jones weekly survey of economists



Heavy-equipment maker Caterpillar will post results Tuesday.

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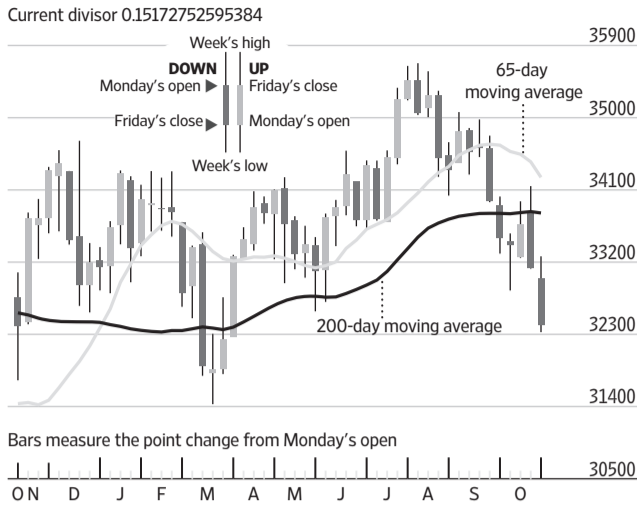
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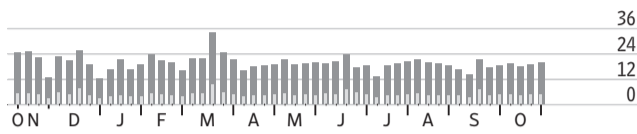
MARKETS DIGEST

Dow Jones Industrial Average

32417.59 ▼709.69, or 2.14% last week
Trailing P/E ratio 22.90 20.23
P/E estimate * 18.08 17.47
Dividend yield 2.23 2.17
All-time high 36799.65, 01/04/22



NYSE weekly volume, in billions of shares



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

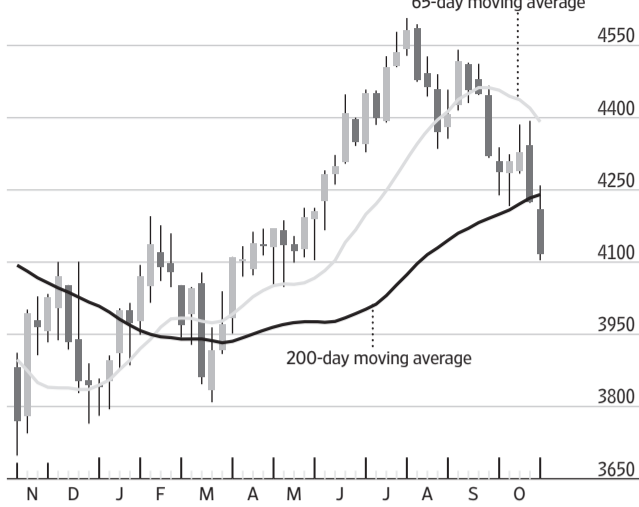
Table listing major U.S. stock market indexes including Dow Jones, Nasdaq Stock Market, S&P 500, and Russell 2000, with columns for High, Low, Close, Net chg, % chg, 52-Week Close, High, %chg, and YTD % chg.

†Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

S&P 500 Index

4117.37 ▼106.79, or 2.53% last week
Trailing P/E ratio * 18.92 18.68
P/E estimate * 18.55 17.03
Dividend yield * 1.68 1.75
All-time high 4796.56, 01/03/22



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New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Table of public offerings of stock with columns for Expected pricing date, Issued/business, Symbol/primary exchange, Shares (mil.), Pricing Range(\$), and Bookrunner(s).

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Table of lockup expirations with columns for Lockup expiration, Issue date, Symbol, Offer price(\$), Offer amt (\$mil.), Through Friday(%), and Lockup provision.

IPO Scorecard

Table showing performance of IPOs, most-recent listed first, with columns for Company, SYMBOL, IPO date/Offer price, Friday's close (\$), Offer price, % Chg From Friday's close, and % Chg From Offer price.

Sources: Dow Jones Market Data; FactSet

Public and Private Borrowing

Treasuries

Table detailing public and private borrowing for treasuries, including auction dates and settlement dates.

A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA lost 709.69 points, or 2.14%, on the week. A \$1 change in the price of any DJIA stock = 6.59-point change in the average.

Table showing the week's action for DJIA component stocks, including columns for Pct chg, Stock price, Point chg, Company, Symbol, Close, and \$1,000 Invested (year-end '22).

*Based on Composite price. DJIA is calculated on primary-market price. Source: Dow Jones Market Data; FactSet

International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, Euro STOXX, FTSE 100, etc., with columns for Close, Latest Week % chg, Low, 52-Week Range, High, and YTD % chg.

Source: FactSet; Dow Jones Market Data

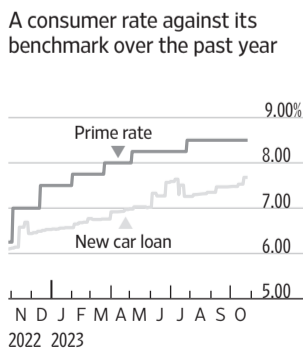
Commodities and Currencies

Table of commodity and currency prices, including DJ Commodity, Crude oil, Natural gas, Gold, U.S. Dollar Index, etc., with columns for Last Week Close, Net chg, %Chg, and YTD % chg.

Advertisement for WSJ Markets.com: Go to WSJMarkets.com for free access to real-time market data. Includes a screenshot of the website's market data interface.

Consumer Rates and Returns to Investor

U.S. consumer rates



Selected rates

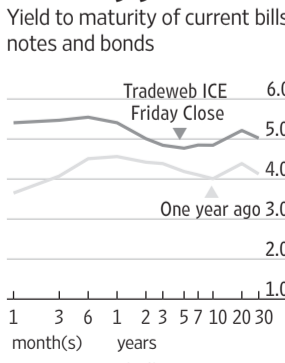
Table of selected consumer rates from Bankrate.com, including new car loan, first command bank, first trust bank, etc., with columns for rate and 52-week range.

Table of interest rates for federal funds rate target, prime rate, SOFR, money market, etc., with columns for rate and 52-week range.

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. †Excludes closing costs. Sources: FactSet; Dow Jones Market Data; Bankrate.com

Benchmark Yields and Rates

Treasury yield curve



Forex Race



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields, including U.S. Treasury, Aggregate, Fixed-Rate MBS, etc., with columns for Yield (%), Spread +/-, and Total Return.

Sources: J.P. Morgan; S&P Dow Jones Indices; Bloomberg Fixed Income Indices; ICE BofA

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table of U.S.-dollar foreign-exchange rates for various countries, including Argentina, Brazil, Canada, etc., with columns for Country/currency, Fri in US\$, USD vs. per US\$, YTD chg (%), and Fri per US\$, YTD chg (%).

Sources: Tullett Prebon; Dow Jones Market Data

CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. NA signifies that the information is not available or not applicable. NS signifies funds not in existence for the entire period. 12 month yield is computed by dividing income dividends paid (during the previous 12 months for periods ending at month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Source: Lipper

Friday, October 27, 2023

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various equity funds like J Han Finl Opptys, Neuberger Brmn Energy, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various income and preferred stock funds like Calamos Strat Tot, Calamos ConV, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various high yield and convertible bond funds like abrdn Inc Credit Str, AllianceBemGPHlnc, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various international and global funds like Western Asset Gl Crd Op, National Muni Bond Funds, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various high yield bond funds like CIM RA&C, CIM RA&C L, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various other domestic taxable bond funds like AFA Private CreditFndr, AFA Private CreditInst, etc.

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Refinitiv on October 27, and year-to-date stock performance of the company.

KEY: B: beneficial owner of more than 10% of a security class; CB: chairman; CEO: chief executive officer; CFO: chief financial officer; CO: chief operating officer; D: director; DO: director and beneficial owner; GC: general counsel; H: officer, director and beneficial owner; I: indirect transaction filed through a trust, insider spouse, minor child or other; O: officer; OD: officer and director; P: president; UT: unknown; VP: vice president. Excludes pure options transactions.

Biggest weekly individual trades

Table with columns: Date(s), Company, Symbol, Insider, Title, No. of shrs in trans (000s), Price range (\$), \$ Value (000s), Close (\$), Ytd (%). Lists trades for Asana, Northern Trust, Carnival, Nasdaq, etc.

Sellers

Table with columns: Date, Company, Symbol, Insider, Title, No. of shrs in trans (000s), Price range (\$), \$ Value (000s), Close (\$), Ytd (%). Lists sales for TD SYNEX, FirstCash Holdings, Intuitive Surgical, etc.

Buying and selling by sector

Table with columns: Sector, Buying, Selling. Lists sectors like Basic Industries, Capital Goods, Consumer durables, etc.

Table with columns: Fund (SYM), NAV, Close/Disc, Prem, Ttl, Ret. Lists various general equity funds like Alternative Strategies I, First Trust Hdg StratA, etc.

Borrowing Benchmarks

wsj.com/market-data/bonds/benchmarks

Money Rates

October 27, 2023

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Category, Latest, Week ago, -52-Week-High, -52-Week-Low. Includes Inflation, U.S. consumer price index, International rates, etc.

Other short-term rates

Table with columns: Category, Latest, Week ago, -52-Week-High, -52-Week-Low. Lists call money, commercial paper, etc.

Secured Overnight Financing Rate

Table with columns: Category, Latest, Value, Traded, High, Low. Lists DTCC GCF Repo Index.

Fannie Mae

30-year mortgage yields. Table with columns: Term, Yield, etc.

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective July 27, 2023. Other prime rates aren't directly comparable; lending practices vary widely by location; Discount rate is effective July 27, 2023. Secured Overnight Financing Rate is as of October 26, 2023. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal-funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

Cash Prices

wsj.com/market-data/commodities

Friday, October 27, 2023

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table with columns: Commodity, Friday, Friday. Lists prices for Energy, Metals, Grains and Feeds, etc.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra; T=ordella & Brookes; H=American Commodities Brokerage Co; K=B-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Standard & Poor's; R=RSJ; S=Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 10/26

MARKETS

Shipping Bust Crashed Convoy

By PAUL BERGER

Convoy had smart technology, a star-studded lineup of investors and a shiny valuation that spoke to its big ambitions.

But the backing that investors sent the business in early 2022, at the peak of pandemic-driven shipping demand and venture-capital fervor for new supply chain tech, also helped accelerate the undoing of one of the brightest of a long lineup of digital startups.

The funding round in April 2022 brought Convoy, a Seattle-based freight business with early backing from Jeff Bezos and Bill Gates, \$160 million along with \$100 million in venture loans that gave the business a value of \$3.8 billion. Industry experts and people familiar with Convoy say the debt was one factor in the rapid downfall of a company focused mostly on high-volume, low-margin freight that was ill-equipped to handle the sharp downturn in demand that has hobbled shipping markets over the past year.

By this year, Convoy was losing \$10 million a month, according to a person familiar with the company. Its executives spent several months aggressively seeking new investors or outright buyers, including package-delivery giant **United Parcel Service** and **C.H. Robinson Worldwide**, the nation's largest freight broker, according to people familiar with the discussions.

The company came so close to clinching a deal that its executives began mapping out an integration strategy, the person familiar with the company said. But the deals fell through, and with about \$40 million left at Convoy, venture firm **Hercules Capital** stepped in to recoup some of the money it was owed under the lending.

Convoy effectively gave up its efforts earlier this month,



Convoy, a freight business with high-profile backing, closed its operations earlier this month.

shutting the business, laying off more than 400 employees and keeping on only a core group of workers as it tries to sell the company's technology.

Hercules is now overseeing the sale of Convoy's assets including its software, the person said. The Wall Street Journal reported Friday that another digital-focused startup, freight forwarder **Flexport**, was in talks to buy the technology.

A spokesman for Hercules Capital declined to comment.

Convoy's abrupt end highlights a sudden downturn in shipping demand that has also chilled the once-hot market for venture investment in the logistics sector.

Venture capital deals in the sector totaled \$5.7 billion in the first half of 2023, down from \$22.7 billion in the first half of 2022, according to PitchBook Data.

Convoy aimed to disrupt freight brokerage, a fiercely competitive corner of the trucking industry in which middlemen match loads from retailers and manufacturers to available trucks, many operated by small companies and independent truckers. It is a fast-paced business, with profits for brokers coming in the space between the money they charge shipping customers and the rates that truckers

charge to haul loads.

Convoy founders Dan Lewis and Grant Goodale believed that by automating the transactions, they could take costs out of the process and speed up supply chains. But Convoy couldn't figure out how to turn that business into sustained profits.

Convoy's business was designed to operate similar to commodity trading, but using an algorithm to buy and sell freight loads and trucking capacity. The person familiar with the company said the costs to develop and maintain the technology required revenue that Convoy never achieved, even at the peak of shipping demand during the Covid-19 pandemic. The company "didn't get big enough, fast enough," the person said.

Convoy had attracted funding from an investment arm of Google parent **Alphabet** and its board included tech luminary Reid Hoffman, a Silicon Valley venture capitalist and co-founder of LinkedIn.

Convoy raised \$1.1 billion in several funding rounds. Its peak valuation in April 2022 of \$3.8 billion followed a

round that raised \$160 million led by investment firm Baillie Gifford and \$100 million in venture debt from Hercules.

Convoy hoped the funding would buy the company time to find a strategic investor or buyer. But the round last year came just as investors were tightening spending amid rising interest rates and economic uncertainty.

At the same time, freight demand slowed and shipping rates fell, sending earnings across the freight sector into a tailspin.

Most big transport operators have broad revenue streams, however, that may range from global forwarding and contract logistics to dedicated fleet operations for retailers. Uber Freight expanded its revenue stream in 2021 by buying transportation-management provider Transplace in a \$2.25 billion deal.

Convoy passed up opportunities to diversify. Lewis, the company's co-founder who also served as chief executive, said in 2021 that the company was in no rush to merge with another company or to sell itself.

The company was losing \$10 million a month this year.

Blue Owl Acquires Life-Sciences Funds

By CHRIS CUMMING

Blue Owl Capital will bring on the life-sciences investment team from Cowen Investment Management in a deal intended to expand the firm's presence in a hot sector for alternative-investment managers.

Blue Owl, a \$150 billion asset manager, has reached an agreement to acquire about \$1 billion in funds managed by Cowen Healthcare Investments, according to Blue Owl executives. Cowen Healthcare is owned by Cowen Investment Management, which was bought earlier this year by Canada's **Toronto-Dominion Bank**.

The deal is expected to be announced Monday.

Healthcare is one of the main areas of focus for New York-based Blue Owl, which has invested about \$14 billion in the sector since the alternative-asset manager's founding more than two years ago, said Co-Chief Executive Marc Lipschultz. He said he believes the investment opportunity in life sciences and biopharmaceuticals could match what took place in the information-technology sector over the past several decades, due to the rapid advance of new medical technologies.

Blue Owl will bring on as full-time employees the seven-person Cowen Healthcare investment staff, including three partners, and the group will be rebranded as Blue Owl Healthcare Opportunities.

The healthcare sector has become one of the busiest areas for private-equity deal making due to its long-term growth trends and typically recession-resistant nature. Healthcare buyout deal volume hit \$89 billion last year, the second highest annual sum yet, behind only 2021's \$151 billion, according to a report from consulting firm Bain & Co.

Life sciences has become an active niche within healthcare

for private-equity deal making, with volume growing even faster than the broader healthcare sector.

Due to the technical specialization of the field, some firms have used acquisitions to bring on life-sciences talent. These include **Blackstone**, which formed its life sciences division in 2018 through the acquisition of Clarus; **Carlyle**, which bought Abingworth last year; and **EQT**, which last year acquired LSP. Earlier this month, **KKR** said it would buy a stake in life-sciences firm Catalio Capital.

Last year, Blue Owl brought on Sandip Agarwala, formerly of Longitude Capital, as managing director to lead life-sciences investments. The firm currently focuses within the sector on credit and royalty deals. The addition of the Cowen Healthcare group will expand Blue Owl's capacity to make equity investments, Agarwala said.

The Cowen Healthcare team will continue to invest mainly in mid-development-stage biotherapeutics.

Blue Owl has made several acquisitions and added business lines since its 2021 creation via the merger of Owl Rock Capital, a private-credit manager, and Dyal Capital, a pioneer of buying stakes in private-equity managers.



Blue Owl's Marc Lipschultz.



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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Morgan Stanley's Gorman Chose a Good Time to Exit

The CEO built the right bank for the years of low rates, but that era could end under his successor

James Gorman guided **Morgan Stanley** through years of superlow interest rates and booming stock markets. His successor, Ted Pick, might have to come up with some new ideas for a new era.

Gorman, who will step down at the end of the year after almost 14 years as chief executive, bet big on wealth and asset management by absorbing all of Smith Barney and later buying E*Trade and Eaton Vance. Since the start of 2010, when he became CEO, the firm's 8.6% annualized total return has been second only to **JPMorgan Chase's** among the U.S. global banks, according to FactSet data. And by valuation, Morgan Stanley has often been the leader of the pack, generally trading at a higher price-to-book ratio than even JP-Morgan since the start of last year.

Morgan Stanley's steady money-management business helped the firm steer through the post-2008 financial crisis changes that reshaped Wall Street trading. In in-

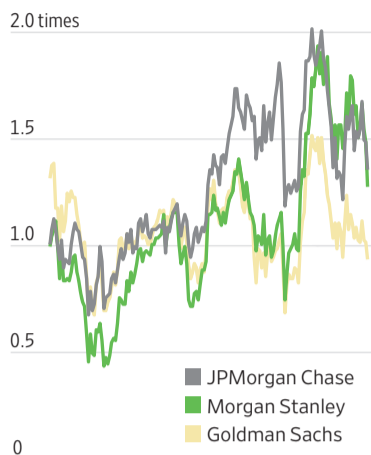
vestment banking, Morgan Stanley's vaunted technology franchise put it in pole position during a venture-fueled boom. Morgan Stanley's leading equities trading and fund management businesses benefited from bull markets, too.

Gorman and Pick, who has spent his entire career at Morgan Stanley, have in interviews so far stressed the continuity represented by this move. "This is about keeping going a great thing," Pick told The Wall Street Journal.

But recent results have shown that a potential new era for markets—defined by higher interest rates, leading to more cautious venture investment and an investor rotation toward income and bonds—could be looming.

Investment-banking revenue at Morgan Stanley was down by more than that of rival firms in the third quarter compared with a year earlier. And Morgan Stanley faces the prospect of having to sell

Price/book ratio since start of 2010, at month-end



Note: October is most recent available. Source: FactSet

debt used to finance Elon Musk's takeover of Twitter at a loss, as well as unresolved investigations into its block-trading business.

In wealth management, net revenue was down from the prior quarter as clients traded less and sought more yield on their cash. They rotated into higher-cost deposits, pressuring the firm's net interest income. There also was a smaller inflow of net new client assets than in recent quarters.

At its core, though, the firm remains in a strong position. Having the ballast of high-margin wealth and asset-management fees continues to insulate it from some of the boom-and-bust cycles inherent in investment banking.

And thanks to Gorman's prudent management of capital, Pick will have resources. Morgan Stanley's common equity Tier 1 capital ratio was 15.5% as of the third quarter, more than two points ahead of current requirements. That will be especially helpful as tougher Federal Reserve rules loom.

Pick initially made his name in the business of stocks. But he also

led the successful turnaround of the firm's bond-trading division. The fixed-income markets unit remains smaller than those at other megabanks, and might continue to be, given that Morgan Stanley isn't as big in the commercial lending business that helps fuel its rivals. Still, leaning on those desks at a time of high and volatile interest rates could help offset any extended slowdown in mergers and IPOs.

A time of uncertainty can create opportunities. Buying out the rest of Smith Barney from Citigroup in 2013 was a major move for Gorman. And purchasing E*Trade just after the move to zero commissions, but just before a historic boom in retail trading, helped erase doubts about that move, too.

If Pick does decide at some point to make big transformational bets of his own, he should aim to replicate at least one part of his predecessor's recipe for success: good timing. —Telis Demos

Auto Strikes Leave a Sweetheart Deal on Car Dealers

The United Auto Workers strikes in Detroit have been costly for automakers. Car dealers barely got a scratch, but their stock prices don't reflect that.

On Wednesday, **Ford Motor** reached a tentative deal with the union, and **Stellantis** did so as well on Saturday. Although the UAW has expanded its strike at **General Motors**, a drawn-out strike now appears less likely.

This is a best-case scenario for dealers, for whom the threat of prolonged strikes actually might have led to better margins on some car sales.

Asbury Automotive, a small dealer group, said dealers scaled back on discounts for domestic-

brand vehicles after the strikes began.

A longer strike would have ruined dealers' high-margin parts-and-service business. Service, body and parts account for 10% to 15% of dealers' revenue but 30% to 35% of gross profit.

The service, body and parts segment is a needs-based business—seen as a hedge from economic cycles. At **Lithia Motors**, for example, it is the only segment that has seen year-over-year same-store revenue growth for the past 10 consecutive quarters. **AutoNation** on Friday reported that it is seeing "significant benefits" from its focus on after-sales services, which saw record revenues

and margins in the third quarter.

A report from JPMorgan had noted that strikes could hit dealers' parts and service sales and new-vehicle volumes if they lasted through the end of November. Additionally, a shift in sales to foreign brands—such as **Toyota**, **Nissan** or **Honda**—would weigh on margins because their vehicles carry lower gross profit per unit, the report noted.

The larger dealer groups aren't fretting about any parts or vehicle shortages just yet. Both AutoNation and Lithia said there wasn't much of an immediate impact and said they pre-emptively stockpiled parts. Asbury did note that it wasn't receiving shipments from

manufacturers in some cases.

A resolution to the UAW negotiations now appears in sight, but dealers' share prices aren't fully reflecting the progress made. Even with the share-price rebound following the news of Ford's tentative deal with the union, the three dealers—Asbury, AutoNation and Lithia—with the highest exposure to the Detroit Three automakers have logged the biggest stock-price slides since UAW strikes hit parts distribution centers on Sept. 22. The three have dropped 16% on average since Sept. 22.

Dealers have a lot of other speed bumps to deal with. Rising interest rates are hurting vehicle affordability for prospective car

buyers, with the average interest rate on loans for new cars rising to 7.4% in the third quarter—the highest since 2007, according to Edmunds.

According to Cox Automotive, new-car inventory was up 60% as of early October compared with the same time a year ago, taking it back to the highest level since the spring of 2021. High rates and recovering inventories are adding up to some hefty payments dealers must make to finance their inventory.

Still, barring an unexpected snag in UAW negotiations, dealers now have one more obstacle they don't have to worry about.

—Jinjoo Lee

MARKETS

Bitcoin's Torrid Rally Has Several Possible Drivers

BY VICKY GE HUANG

Bitcoin is in the midst of another head-scratching rally.

The world's largest cryptocurrency began climbing late the week before last after spending much of the summer stuck around \$26,000. It briefly topped \$35,000 in recent days to touch its highest level since May 2022, and is now hovering around \$33,800.

As is the case with most debates in the crypto world, there is little consensus about what is behind the sudden surge.

Some crypto bulls point to signs that a slate of exchange-traded funds that hold actual bitcoin—known as spot bitcoin ETFs—will soon be approved by U.S. regulators. That would enable investors to buy and sell bitcoin through a brokerage account as easily as shares of stock.

"There's a lot of pent-up demand for these products," said Matthew Sigel, head of digital assets research at VanEck, which is one of a dozen asset managers with a pending spot bitcoin ETF application.

Others credited crypto advocate Rep. Tom Emmer's bid to become House speaker for bitcoin's latest rally. But even after the Minnesota Republican withdrew from the contest, bitcoin kept climbing.

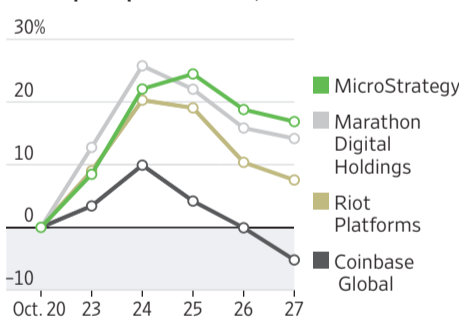
Another popular theory is tied to bitcoin's coming "halving," an adjustment to the blockchain that literally cuts in half the reward miners receive for processing transactions and creating new bitcoin. Crypto enthusiasts argue the token can be considered as a store of value with limited supply.

Bitcoin remains a highly volatile and speculative investment, prone to wild swings in price. After a quiet summer of low volatility and trading volumes, the market appears to have risen from its slumber.

Bitcoin price performance, past two years



Share-price performance, since Oct. 20



Grayscale Bitcoin Trust share price



the SEC in August to reassess Grayscale's application and approve or reject it on fresh grounds.

The fund's shares have risen 6% in the past week and have more than tripled in 2023.

CME bitcoin futures

Although individual investors appear to have powered the recent rally, institutional interest in bitcoin futures has steadily climbed. The number of unsettled and active bitcoin futures contracts trading on the Chicago Mercantile Exchange, known as open interest, hit a record of more than 20,000 contracts last Monday.

The open interest on the CME, a venue favored by big investors, was equivalent to 100,000 bitcoin with \$3.4 billion in notional value, according to the CME.

Bitcoin trade volume

Spot bitcoin trading volumes have recovered after plummeting in September to their lowest levels of the year. Higher volumes tend to translate into stronger liquidity, which means that investors have a better chance of trading bitcoin quickly at quoted prices.

The rebound has helped bitcoin reclaim its dominance in the crypto market. The market value of bitcoin stands at about \$660 billion, accounting for more than half of the \$1.25 trillion total crypto market.

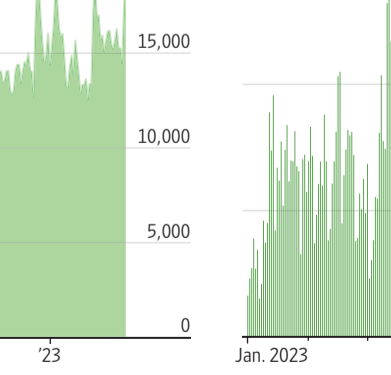
At nearly \$34,000, the price of bitcoin has more than doubled this year—and has halved from its peak at nearly \$69,000 in November 2021. A return to May 2022 levels brings bitcoin back to where it was trading ahead of the \$40 billion wipeout of a pair of cryptocurrencies, the bankruptcies of several crypto lenders and the fall of exchange FTX.

Open interest in CME bitcoin futures contracts hit a record*



*Data through Oct. 23 †Data through Oct. 24

Bitcoin daily spot trading volume*



Sources: CoinDesk (bitcoin price); FactSet (share price); The Chicago Mercantile Exchange (open interest); Kaiko (trading volume)

Here is how bitcoin's latest surge is rippling through the crypto industry:

Crypto stocks

The rally has helped lift crypto-related stocks and other tokens.

Shares of **Coinbase Global** rallied last Monday and Tuesday before giving up their gains. The stock has doubled in 2023 but is down 80% from

its 2021 high. Coinbase is listed as the custodian on the applications of several of the asset managers in the spot bitcoin ETF race. The exchange would be responsible for safekeeping the bitcoin and receive a fee based on the total value of the funds' assets.

Among the other stocks on the move are **MicroStrategy**, a software intelligence company that holds more than

150,000 bitcoin. Shares have gained 17% over the past week. Bitcoin miners **Marathon Digital** and **Riot Platforms** have jumped 14% and 7.6%, respectively.

Other tokens including ether, dogecoin and solana have climbed as well.

Grayscale Bitcoin

The \$21 billion Grayscale Bitcoin Trust, the world's

largest bitcoin fund, is seeking approval to convert to a spot bitcoin fund.

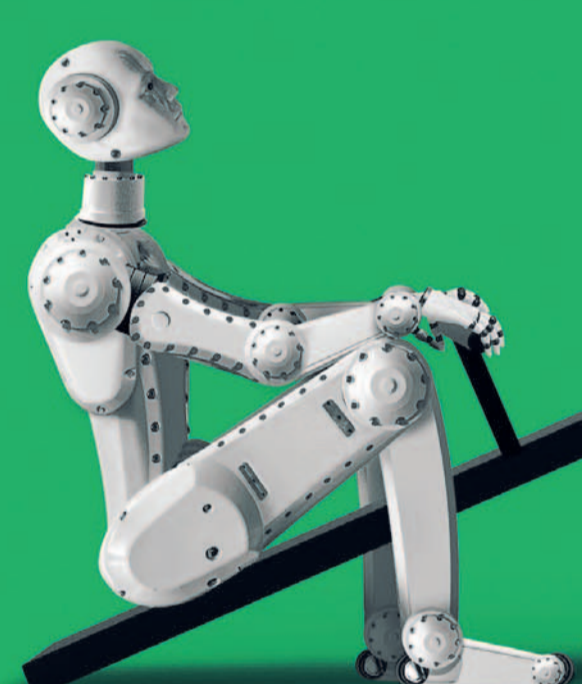
It is currently trading at a 16% discount to the underlying value of the bitcoin it holds, versus 42% in mid-June and nearly 50% at the end of last year, according to YCharts. Crypto enthusiasts see the narrowing spread as a bullish indicator of its chances for approval.

An appeals court ordered

Can AI Replace Your Financial Adviser? Not Yet. But Wait.

Effective financial advice requires five financial qualities. Here's how ChatGPT stacks up.

BY SHLOMO BENARTZI



CHATGPT and its competitors have already achieved some impressive milestones—they can pass the bar exam for lawyers and help solve medical cases.

So, are these AI tools now ready to replace your financial adviser?

The advantages of AI advisers are obvious at first blush. Professional financial advice is costly, and beyond the reach of many Americans. AI could drive those costs down and make smart,

personalized guidance available for everyone 24/7. AI also can expand the range of financial decisions covered by advisers and offer more holistic advice. These days, people don't just need help mixing ETFs into a portfolio—they also have to make hard choices about savings, insurance and debt management, among other things.

But while AI can do some things as well as a financial adviser, and sometimes can even perform better, it can't replace human advisers. Yet.

Shlomo Benartzi (@shlomobenartzi) is professor emeritus at UCLA Anderson School of Management and a frequent contributor to Journal Reports. He can be reached at reports@wsj.com.

To understand why, let's look at five essential qualities for effective financial advice and see how AI currently stacks up, and what it will take for AI to get where it needs to go.

1. Debiasing

Let's start with the bad news.

One of the primary things a financial adviser
Please turn to page R2

The Employee Benefits You Should Use—but Probably Don't

Many workers don't take advantage of such perks as 401(k) matches, medical spending accounts and tuition assistance. It's time they start.

BY CHERYL WINOKUR MUNK

MANY employees are leaving company benefits on the table.

Maybe it's simply inertia: Employees simply don't bother to sign up for all the

financial benefits their employers offer. Or they're overwhelmed by all the choices.

Whatever the reason, nearly 1 in 5 employees are either "not at all confident" or only "slightly confident" in their understanding of the benefits that are offered by their employer, according to MetLife's 2023 employee

benefit trends study.

So, as open-enrollment seasons gears up, it pays for employees to review their employer's annual offerings, some of which may have changed from previous years.

"Make sure you're building that time in to truly understand what you are offered, whether you have to enroll in it or not," says Bradd Chignoli, senior vice president of national accounts and financial wellness and engagement at MetLife.

Please turn to page R4

Inside

TAXES

Moves to make before the end of the year, including selling your stock losers. **R3**



Scan this code to learn how setting up auto payment of bills can cost you money and hurt your credit score.

YOUNG MONEY

Younger adults want the flexibility to walk away from unfulfilling work. That's where an 'options fund' comes in. **R5**

GAME PLAN

A couple has paid off most of their debt. Now they need a path to boost savings. **R6**



JOURNAL REPORT | WEALTH MANAGEMENT

Your AI Adviser Isn't Ready, Yet

Continued from page R1 brings to the table is debiasing, or helping clients avoid costly mistakes caused by behavioral tendencies. Consider the tendency of people to overweight short-term losses and invest too conservatively, even when their investment horizon is 30 years or longer. In one study I conducted with Richard Thaler, people who were shown a one-year chart of investment returns allocated 40% of their portfolio to stocks, while those who were shown long-term charts allocated 90% of their portfolio to stocks—even though both groups of investors were investing for the long term.

A good adviser can help people make financial decisions that align with their long-term goals. They steer clients away from short-term charts, or the latest market swings that constantly pop up on cell-phones, and help clients choose investments that fit their actual time horizons.

Unfortunately, a working paper led by Yang Chen at Queens University in Canada showed that ChatGPT exhibits many of the same behavioral tendencies and biases that a good adviser tries to minimize. For example, humans tend to choose riskier options after experiencing losses, as they try and break even. In Las Vegas, this is known as doubling down. ChatGPT suffers from the same tendency, which could lead to costly mistakes. If an investor lost a lot of money after the crypto crash, ChatGPT might think they should buy even more crypto, doubling down on the risky asset.

And it gets worse. That's because AI tools are also highly overconfident. It isn't that they get it wrong sometimes—it's that too often they think they're right. This can amplify existing biases, as the software not only fails to self-correct, it

turmoil, so that fear and other emotions won't damage our long-term financial prospects.

The good news is ChatGPT excels at empathy. One recent study compared the responses of ChatGPT and human doctors to the questions of real patients that had been posted on an online forum. The answers were evaluated by healthcare professionals, both in terms of quality of information and empathy.

The results were a resounding win for AI. The healthcare professionals were nearly four times more likely to say that the ChatGPT responses provided "good or very good" information. But they were nearly 10 times more likely

to say that ChatGPT was empathetic. Specifically, 45% of AI responses were rated as empathetic or very empathetic, compared with only 4.6% of physician responses.

These results suggest that there are some critical financial adviser tasks that AI can already perform extremely well. While advisers don't always have the time or ability to reassure clients during market corrections, AI technology can help them become more human, or at least scale their humanity. For instance, the next time there's a major market drop, advisers don't have to be limited to making a few calls to their wealthiest clients. Instead, AI can deliver empathetic responses tailored to each client. If a client, say, checks their portfolio daily, the AI can provide reassuring data about long-term market trends, as well as the costly impact of market timing.

say, recommend a more expensive fund class just because it makes them more money. In theory, then, AI should be less likely to get into conflicts of interest. Unlike humans, ChatGPT isn't trying to maximize its income.

But that's just theory—we don't really know how well AI will perform. One possibility is that it will have similar issues to humans. For instance, a study found that investors are more likely to buy mutual funds with higher marketing expenses, even when those expenses reduce their overall performance through higher fees. While these funds are likely worse invest-

Goldstein believes one key is emphasizing transparency. "When decisions are made behind closed doors, we can only wonder about some of these issues," he says. "But when the inputs and outputs of every decision are logged, they can be put through checks that were never before possible."

5. Consistency

Good financial advice should be consistent. That is, if the same client takes the same portfolio to different advisers, they should offer similar advice, focused on the same time-tested principles.

Research suggests, however, that advisers struggle to offer advice that consistently reflects the goals, circumstances and preferences of their clients. One recent study showed that clients tend to invest in funds with different fees and risk profiles after their adviser dies or retires, and they are placed with a new, randomly selected, adviser. This isn't because their investment preferences suddenly changed—it's because the new adviser inflicted his or her own beliefs on their portfolios. If the new adviser selected risky investments for his own personal portfolio, or expensive funds, he assumed his clients would prefer that, too.

This should be a fixable problem. AI advice should be able to achieve consistency by confirming that it gave the same advice to clients with similar financial needs and preferences. And once AI tools achieve consistency, the software should deliver the same advice to clients in the same situation, much as Netflix recommends similar content to people with the same viewing history.

• What the future could look like

A lot of improvements are needed before AI can become an effective financial adviser. Nevertheless, it's clear that AI will play an important role in the future of financial advice.

What might this future look like?

One potential model comes from the medical domain, where smart software and doctors have been working together for years as a hybrid team. In particular, doctors increasingly rely on AI tools to help them improve their quality of care, as these tools can generate a long list of possible diagnoses that can reduce misdiagnoses or shorten the time to make a diagnosis.

Of course, a human doctor is still required to filter the extended list of possible diagnoses generated by ChatGPT, and select the *best* diagnosis. This suggests that the AI can help us expand our thinking, even when it can't actually find the answer by itself.

While there are no studies on the quality of hybrid financial advice, I speculate that the hybrid model will win, provided humans learn how to effectively collaborate with AI. One reason is a behavioral tendency known as algorithm aversion—people tend to reject automated software unless it's nearly perfect. This means that most clients will prefer financial advice from AI that is monitored by a professional, much as people expect a pilot to oversee the autopilot in the cockpit.

What's more, a hybrid approach is also likely to dramatically increase access to advice. My hope is that human advisers will use AI to help them serve more people.

What about those Americans who still won't be able to afford a human adviser? I believe AI can be used to deliver advice 24/7, provided we fix those critical issues involving accuracy and debiasing.

And if you're a financial adviser, I wouldn't worry about losing your job to ChatGPT. (Autopilots didn't put pilots out of work.) Instead, I'd focus on how you can use the technology to deliver better advice to even more people.



AI tools are highly overconfident. It isn't that they get it wrong sometimes—it's that too often they think they're right.

can give human clients a false sense of security.

To improve the performance of AI advisers, we need to create metarules—that's a rule that governs other rules—to help the software override these biases. One possible approach is to have the AI, whenever it recommends a specific financial action, also review reasons why that action might be a mistake. It's like an internal audit, forcing the software to consider what it might have missed.

Metarules are often necessary because of the way these AI tools learn. They are known as large language models, or LLMs, and they are trained on massive data sets of text pulled from the internet. Because the internet often represents human nature in an unfiltered form, the software reflects many of our lesser impulses and tendencies.

The good news: AIs are almost certainly easier to debias than humans by applying metarules. While we can't directly edit the software running inside our head, we can revise our AI models.

2. Empathy

The next key quality for an adviser is empathy. Consider an investor who's nervous and anxious about market volatility. Research shows that the background mood of investors can have a powerful impact on their financial decisions with fear driving risk avoidance, and anger leading to more risk-taking. The role of a good adviser is to reassure and support during market

to say that ChatGPT was empathetic. Specifically, 45% of AI responses were rated as empathetic or very empathetic, compared with only 4.6% of physician responses.

These results suggest that there are some critical financial adviser tasks that AI can already perform extremely well. While advisers don't always have the time or ability to reassure clients during market corrections, AI technology can help them become more human, or at least scale their humanity. For instance, the next time there's a major market drop, advisers don't have to be limited to making a few calls to their wealthiest clients. Instead, AI can deliver empathetic responses tailored to each client. If a client, say, checks their portfolio daily, the AI can provide reassuring data about long-term market trends, as well as the costly impact of market timing.

3. Accuracy

Another important adviser quality is getting the facts right. Even if AI can be debiased, it still needs to base its advice on accurate representations about investments, inflation, taxes and more.

More bad news: The bots are currently very unreliable and make lots of mistakes. For instance, when I asked a leading AI tool to help me choose between Vanguard and Fidelity Nasdaq index funds, it came up with a very impressive answer focused on their long-term per-

formance and expense ratios. The only problem was that it used the wrong funds as the basis for its analysis, using numbers from a Vanguard S&P 500 fund and a Fidelity real-estate fund. It was both highly confident and completely inaccurate.

This problem can be largely solved with plug-ins, or external tools that the AI calls upon to supplement its known weaknesses. When you ask Google a math question, it pulls up a calculator alongside the answer; AI tools should do the same thing. In addition to using a calculator, AI advisers should be integrated with reliable financial databases, such as Morningstar, that can

4. Best interest

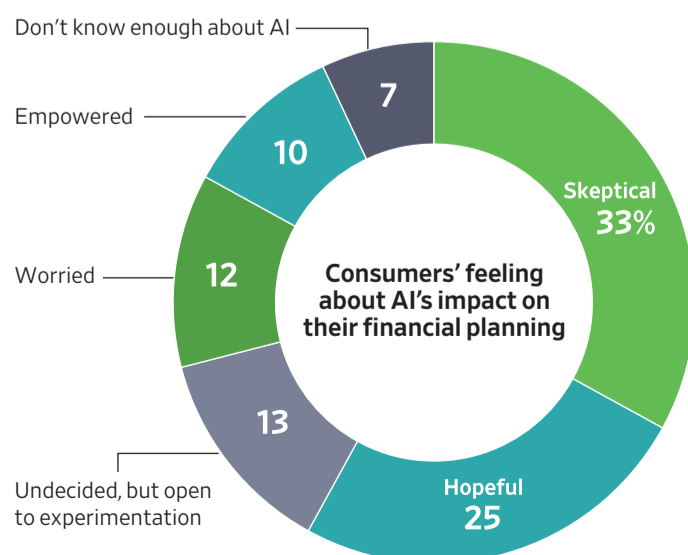
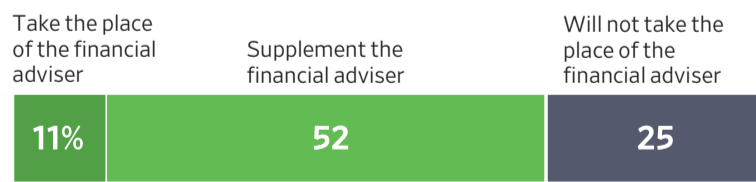
Advisers must act in the best interest of their clients. They can't,

ensure that its models and recommendations are based on accurate representations of the financial world.

"People too often think of language models as complete solutions to any problem, rather than as components in intelligent applications," says Dan Goldstein, a senior principal researcher at Microsoft Research, specializing in AI and human-computer interaction. "The optimized systems and vast data stores of the financial world won't be replaced by AI—they'll be called upon by AI."

Fortunately, it's likely AI is easier to monitor for conflicts of interest than a human adviser. If the software starts recommending investments with high fees or mortgages with high interest rates when there are cheaper alternatives, the AI tools might even be able to auto-correct, like spell check fixing a typo.

Consumers think that in the next three to five years, AI and social media will...



Source: CFP Board Consumer Sentiment Survey: Trust, but Verify, August 2023

JOURNAL REPORT | WEALTH MANAGEMENT

Taxes • Tom Herman



Sell Your Loser Stocks—and Other Year-End Tax Moves

There are ways to lower your tax burden. But not if you don't do them.

EVEN FOR many well-informed taxpayers, the most popular year-end strategy usually is the same every year: procrastination.

This approach can be hazardous to your wealth. So as the year draws to a close, there are some moves investors should consider making now to ease their tax hit for 2023.

A few things to keep in mind, though. When making these year-end moves, “remember to focus first on investing fundamentals rather than taxes,” says Roger Young, a certified financial planner and thought leadership director in the individual-investors division at T. Rowe Price.

And what might be great advice for your neighbor might be a bad idea for you.

Stock dumping

When you have an investment that now is worth less than your cost, it may be tempting to hang on and pray for a recovery. Resist that temptation. Consider selling losers that you hold in taxable accounts in order to create capital losses that can provide valuable tax benefits, tax pros say. This is known as tax-loss harvesting.

Reminder: This advice doesn't apply to investments held in tax-favored accounts, such as a 401(k) or IRA.

While any year could potentially be a good time to consider tax-loss harvesting, “it may be especially important this year” for many investors stung by the financial markets' mood swings and



higher interest rates, says Patrick Daly, tax partner, high-net-worth group co-leader, at Citrin Cooperman Advisors.

Here are some specifics:

- Capital losses typically can be used to offset capital gains in taxable accounts. This applies to “realized” gains or losses, meaning investments you actually sold.
- If your capital losses are larger than your gains, you typically can deduct as much as \$3,000 of net capital losses against other income, such as salary. (\$1,500 for married taxpayers filing separately.) If your net losses exceed these limits, the excess amounts typically get carried over into later years, says Joseph Bublé, manag-

ing partner, tax services, at Citrin Cooperman. Check with your state to see if it has different rules.

- You can't deduct losses from the sale of “personal-use property, such as your home or car,” the IRS says on its website.
- Pay attention to the fine print of the “wash sale” rule, says Mark Luscombe, principal analyst at Wolters Kluwer Tax & Accounting. A wash sale typically occurs when you sell securities at a loss and buy the same, or substantially identical, securities within 30 days before or after the sale. If you have a wash sale, you can't deduct the loss on your return for that year—unless it happened in the “ordinary course of your busi-

ness as a dealer in stock or securities,” the IRS says. But if your loss is disallowed, “the amount of the disallowed loss is added to the basis of the repurchased securities,” Luscombe says. See IRS Publication 550 for details.

Mutual-fund distribution

Investors should do some research before investing significant amounts in mutual funds for a taxable account later this year. That's when many funds distribute net capital gains to investors. These payouts typically are taxable even if you invested in that fund for a taxable account shortly before the date to qualify for the payout.

Thus, tax pros recommend finding out if a fund you're considering is planning a big distribution, when, and how much. “Most funds typically post this information on their websites,” says Russel Kinnel, director of manager research at Morningstar.

In a recent Morningstar podcast, Kinnel said distributions generally amount to “only a small portion of the fund's returns, but occasionally the payouts can be sizable.” In the case of funds planning large distributions that could drive up your tax bill significantly, “you might want to be careful about buying them in a taxable

account” until after the date to qualify for the payout, he says.

Other options: Buy them for a tax-favored account. Or look for a different fund.

It's too early to know what the capital-gains distribution picture will look like late this year, says Mark Wilson, who tracks the subject on his cappgainsvalet.com site. But at this stage, it appears this year “is shaping up to be a [much] lower than average year for large distributions,” he says.

Ways to donate

Many investors donate highly appreciated stock that they've owned for more than a year. That typically allows investors who itemize deductions to deduct the market value of the shares—and they don't owe capital-gains tax on the increased value of those shares over the years.

Another popular technique is a qualified charitable distribution, Bublé says. With a typical QCD, investors who are at least 70½ or older can transfer as much as \$100,000 a year from an IRA directly to charity, and the transfer isn't taxable. (It doesn't add to the taxpayer's adjusted gross income, which affects many other items.)

While QCDs aren't tax-deductible, they can count toward the annual required minimum distribution for IRA owners affected by the RMD rules.

You need to make sure donations go *directly* from the IRA to qualified charities. And get a receipt or acknowledgment from the charity and have it in hand before you file your taxes, an IRS spokesman says. (Donor-advised funds don't qualify for QCDs.)

Also be sure to leave enough time in case of unexpected complications.

Tom Herman is a writer in California. He was formerly The Wall Street Journal's Tax Report columnist. Send your questions and comments to taxquestions@wsj.com.



What's your *why?*



I WANT TO ENJOY THE RETIREMENT I WORKED SO HARD FOR.

Everyone's “why” is different. And we want to hear all about yours, because the answer gets to the heart of everything that's important in life. Asking why can lead you to your ultimate purpose, your reason for working so hard, for protecting what's valuable and for passing on what you've achieved. We'll work with you on the how. You just tell us, what's your why?

Let's talk about your why. Scan below to contact us.

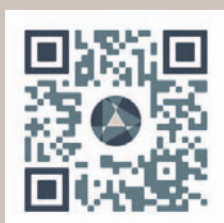


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JOURNAL REPORT | WEALTH MANAGEMENT



Employee Benefits

Continued from page R1

Here are some of the most underused benefits and what human-resources professionals say about them.

401(k) match

As surprising as it might be, many workers don't contribute to a company 401(k) plan. Employees sometimes feel as if they can't afford to save more, but they don't realize what they are giving up in potential savings—like the employer match on contributions.

Employers may contribute a portion of what the employee contributes, or they may match the employee's contribution, up to a certain percentage. Many employees, meanwhile, if they contribute, don't put in enough to receive the employer-match maximum, and so they miss out on the ability to save even more and reduce their taxable income at the same time. They may be auto-enrolled, at the default deferral rate, which is usually about 3%, says Julie Stich, vice president of content for the International Foundation of Employee Benefit Plans, an educational organization focused on employee benefits.

Whenever possible, employees should maximize their 401(k) options because of the benefits of tax-free savings and compounding, says Tom Gimbel, founder and chief executive of LaSalle Network, a Chicago-based staffing, recruiting and culture consulting firm. For 2023, employees can contribute up to \$22,500 to their 401(k), or \$30,000 if they are age 50 or older.

Medical spending accounts

Another common perk frequently overlooked: tax-advantaged accounts for medical spending. For every employer that offers a flexible spending account (FSA) or health savings account (HSA), only 2 in 5 employees use it, according to the MetLife study.

With FSAs, employees can reduce their taxable income by the amount they put aside, up to certain limits. Employers may even contribute on behalf of an employee, though they aren't required to, according to Healthcare.gov. For 2023, an employee can contribute up to \$3,050 to an FSA; spouses can also contribute up to that amount to their own employer's FSA plan, resulting in a significant tax savings.

FSA money must be spent on qualified out-of-pocket medical costs. These include medical copays, eye exams, contact lenses,

prescription glasses and sunglasses, dental care, certain over-the-counter products and even sunblock.

Some workers fear losing unused FSA funds, says Jeff Faber, chief strategy officer for Hub International, a Chicago-based insurance brokerage. You typically must use all the money you set aside by year-end or lose it. But there can be a grace period of up to 2½ extra months, according to Healthcare.gov. Some companies allow as much as \$610 to be carried over to the following year.

HSAs, available to employees with a high-deductible health plan, allow people to set aside money and use it tax-free to pay for qualified medical expenses, such as deductibles and copays.

With HSAs, unused money can be carried over to future years, so workers can build up a stash to cover large medical expenses that might come up later in life. In many cases, employees can invest all or a portion of their HSA balance, which grows tax-free.

For 2024, the maximum HSA contribution will be \$4,150 for an individual and \$8,300 for family coverage, up from the current limit for 2023 of \$3,850 for individuals and \$7,750 for a family.

Student loan and tuition benefits

To retain and entice younger workers, some companies offer education-related benefits. These can include tuition reimbursement or prepaid tuition—where companies foot the bill for high-school completion, undergraduate programs, certificates or, in some cases, graduate degrees. Program eligibility, tenure requirements, exceptions and other particulars can vary widely by employer.

Some companies help with student-loan payments, a burden for many younger employees especially now that federal student-loan payments have resumed for many borrowers. One thing to keep in mind for employees receiving education benefits: Anything above \$5,250 will be consid-

84%

Employers offering a matching contribution to a 401(k) or other defined-contribution plan

7.02%

The average maximum percentage salary match

19%

Employers offering pet insurance

48%

Employers offering tuition assistance

8%

Employers providing student-loan repayment assistance

\$4,764

Average maximum education assistance

Source: SHRM 2023 Employee Benefits Survey

ered taxable income by the Internal Revenue Service.

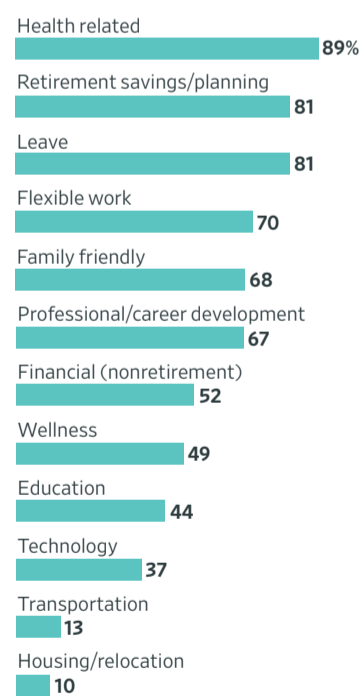
Supplemental insurance

At open-enrollment time, employees often can buy supplemental insurance policies at group rates, which can be considerably lower than individual rates. Typically, employers offer additional life insurance, but many increasingly also offer disability, long-term care, critical-illness and even pet insurance.

Many employees miss these opportunities, in part because they tend to check off the same boxes as they did the previous year, spending little time and ef-

Top Offerings

Benefits categories that employers see as 'very' or 'extremely' important



Source: SHRM 2023 Employee Benefits Survey

fort on what might be new. "People go in holding their noses to a certain extent," says Nate Black, vice president of health solutions product at Voya Financial, a New York-based health, wealth and investment company. This can be a mistake since employer offerings can change from year to year.

Before buying additional coverage, however, employees should research options on their own to ensure the rates and coverage being offered by their employer are indeed more favorable.

Wellness programs and incentives

Employers increasingly offer a variety of wellness programs and incentives to keep workers healthy and help keep healthcare costs down.

Programs include free or discounted access to vaccination clinics, nutrition education, exercise

programs and activities, fitness-center memberships, health screenings, health-risk assessments, weight-loss programs, smoking-cessation and stress-reduction programs, according to the Society for Human Resource Management.

Some employers offer cash, gift cards or insurance-premium reductions for participating in certain wellness initiatives like flu shots or weight-management programs. Workers might not know about the benefits because of poor promotion, says Stich.

Employee assistance programs

Alcohol addiction, substance abuse, stress, grief, family issues and psychological disorders can be serious for many employees. Free and confidential assessments, short-term counseling, referrals and follow-ups can be offered through an employee-assistance program, or EAP. Such programs are voluntary.

Employees might hesitate to use these services because they are concerned their employer will find out, but these programs are confidential, Stich says.

Some employers offer free or low-cost advisory services for retirement saving, estate planning, saving for college and divorce. These resources can get lost in the sea of other benefits, but they can be invaluable for workers concerned about their finances.

Backup care

More companies are recognizing the care needs of employees, because they know the high-cost of absenteeism. But there are subsidies and reimbursements for child- or eldercare, and even pet care, that tend to go unused. With so-called backup care, an employee can generally request care from a vetted network through an app or online portal, and only pay for a daily or hourly copay, according to Care.com, a service for families with care-related needs.

Other perks

Discount programs are a growing perk but aren't always promoted during open enrollment.

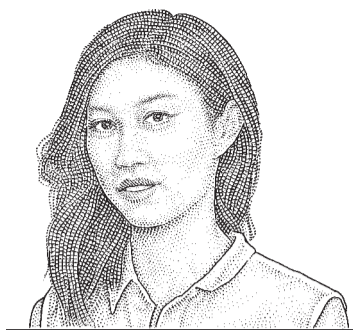
Employers often offer discount programs for retailers, restaurants, movies and theater tickets, among other things. Some companies work with providers such as Working Advantage, which offers employee discounts in travel, entertainment and retail.

Employees who don't proactively learn about and read employer communications about benefits can miss out on something important, Stich says. And, she adds, "it doesn't hurt to ask."

Cheryl Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

Many workers often miss benefits opportunities because they tend to check off the same boxes as they did the previous year—and spend little time and effort on what might be new.

Young Money • Jessica Chou



I Need Enough Money to Say 'No' to Jobs. How Do I Get That?

For me and my peers, it's important to have more control over our work lives

WHEN I graduated from college in 2011 into a slow job market, I was happy to take any job. But two years later, I found myself stuck in a role without a career trajectory or opportunities for growth, and I realized I had to walk away. I got some other gigs lined up, asked for a small raise, and when they said no, I also said no, getting out of that dead-end job.

Ever since then, the power of saying no to jobs—of having options—has stayed with me.

It stayed with me as I survived layoffs and slogged through restructurings, ending up in positions that neither suited my skill sets nor taught me new ones. It stayed with me as I saw friends being laid off at seemingly stable companies. And it stayed with me as friends made big changes in their careers and their lives—whether it was a breakup-spawned move to another city or a later-in-life career change.

That's when I realized an emergency fund isn't enough. In this economy, I needed what others might use an expletive for but I'll just call my "options fund."

Whereas an emergency fund is something I dip into when I don't have a choice, this is the money I'm saving for when I want to make a choice.

"It's basically like, 'I want to make a change,'" says AJ Ayers, a financial adviser and co-founder of Brooklyn Fi. "If I don't like my job, I don't like my living situation, I don't like my relationship, I have enough financial security to get out of this uncomfortable state I'm in."

Layoffs and debt

Having an options fund has felt especially crucial for me and my peers. In a world where layoffs are common, employment stability rarely lasts a decade, let alone a lifetime. If we survive a layoff, we might end up in restructured roles that no longer fulfill our career goals; the ability to walk away in



search of another can be powerful.

If we *do* get laid off, this cushion helps in the job search after; we don't want to take just any job that comes along. We want to be able to pause and find the job we're passionate about, not just one to pay the bills. One such friend got laid off recently; he's using his fund to give himself a breather so he can take his time finding the next role to grow his skills and career.

And it isn't always about a job. This need for extra stability bleeds through into our home life, perhaps explaining why my peers are getting married—and having children—later. One friend told me she waited to become financially secure before getting hitched, saying, "I didn't want to get married unless I knew I could afford a divorce." Some might see that as a bad omen; I see it as an understanding that some things are out of individual control. There's also a psychological benefit: Having an extra cushion might not make a

divorce or a layoff OK, but it certainly makes tackling a bad situation more manageable, removing at least one worry.

Still, we know it won't be easy to raise that kind of money. As a generation, we've entered the workforce with more student debt than those who came before us, making it harder to suddenly stop working, even if only for a short time. Add on the standard financial advice of saving for emergency funds and retirement, and this third fund seems daunting.

How much is enough?

The biggest question as I started building my own options fund is figuring out how much I really need. While some millennials might be part of the FIRE movement (financial independence, retire early), my friends and I aren't necessarily thinking about early retirement. We just need wiggle room. To that end, a basic calculation Ayers recommends is multi-

plying a monthly pay stub by the number of months you may want to take for yourself. That way, you can at least maintain your current quality of life. That number can vary based on age, lifestyle choices and location. "[It] means something different at 22 than it does at 40 and at 65," Ayers says.

In my early 20s, when I had a higher tolerance for life's inconveniences, my cost of living was lower. In my 30s, that number has gone up; my body can no longer handle cheap pizza dinners, and I tend to take taxis rather than subways after midnight. The fact that I don't have children helps, but the fact that I continue to stay in New York City doesn't.

This is where trade-offs come into play. "What's the secret of getting to financial independence? There's really two options: One is to make more money and the other is to spend less money," Ayers says. "Do you really enjoy going out to eat every single night? Do you need to move to a cheaper

city to have cheaper rent, to continue to live your life?"

I'm not quite ready to leave New York City, so I've taken the first option: Make more money. When I can freelance, I've said yes to every job, no matter how small. Most of that money—and any tax refunds or bonuses—gets socked away into a separate investing account, ignored like it doesn't exist. When and if freelancing isn't available, Ayers says starting with small, incremental goals might feel more achievable, like putting away 10% of every paycheck into a high-yield savings account.

Cutting my budget

Spending less money has been harder, especially with the inflation of the past few years. Instead of limiting my grocery bill, however, I've focused on avoiding lifestyle inflation. I try my best to scroll quickly past consumer-based TikToks to curb "life-changing" home buys, and still restrict myself to buying secondhand clothes via resale websites.

But the biggest savings adjuster might be housing. While millennials have been behind when it comes to homeownership, those who can save money on rent or live with their parents are subjects of envy within my friend circle. Other trade-offs can also make a big difference over time; one of my friends stayed for 10 years in a below-market-rent apartment, instead of splurging on a higher-rent option with more amenities. "Would it have been nice to have a dishwasher or consistent hot water or not have to carry groceries up four flights of stairs? Of course," she says. "But being able to save \$100,000 over that same period was so much nicer."

The dream is of course to never have to make a big decision that will upend my life. But as I've had to book last-minute flights for a family funeral, ended a long-term relationship, and chatted with multiple friends who have been laid off and are struggling to find full-time jobs, I've started to give priority to this slush fund more. There are a lot of things I can't control, but having financial options is something I can. And even if I never choose to use this options fund, if I'm lucky, it will grow into the type of money I can do whatever I want with.

Jessica Chou is a senior supervising producer for The Wall Street Journal in New York. Email her at jessica.chou@wsj.com.

Are Joint Bank Accounts One Of the Keys to a Happy Marriage?

Not only are couples who merge finances more satisfied with their relationship, they are more likely to be on the same page about money issues, according to a study

BY LISA WARD

ARE COUPLES happier if they merge their finances or keep them separate?

A recent study suggests couples with joint bank accounts tend to be more satisfied with marriage—and think their relationship with their spouse is relatively good versus relatively bad—compared with couples who keep their finances separate. Such couples also are more in sync with each other on money issues and more likely to respond to each other's needs without expecting reciprocity, the study found.

"Money is one of the main reasons couples argue, but having joint accounts may actually help improve the quality of many couples' relationship," says Jenny Olson, an assistant professor at Indiana University's Kelley School of Business and one of the co-authors of the study.

The researchers conducted a two-year experiment with about 230 newlywed or engaged couples. At the outset, all participants had separate bank accounts. The researchers then divided couples into three groups: one group was

asked to keep separate accounts, a second was asked to merge money into joint accounts, and a third could structure accounts as they saw fit. (Most couples in the third group chose to keep their accounts separate.)

The three groups then participated in a series of surveys, answering questions at the beginning of the study and then three, six, nine, 12 and 24 months later.

To assess couples' relationship quality, one part of the survey asked participants to rate on a five-point scale the truth of a statement like: "My relationship with my partner makes me happy." Couples also were asked questions about how well they handled conflict, such as how often they shouted or yelled at their partner. Lastly, couples addressed statements about how well they interacted daily with each other.

At the end of the two-year period, couples with merged accounts felt like their relationships were better compared with couples with separate accounts. The relationship-quality and satisfaction score for couples with joint accounts increased by about 6% over the survey's two-year period. Scores from the group assigned separate accounts and the group

where couples were left to their own devices both declined over the same period—by about 8% and 13%, respectively.

"The first two years of marriage are often called the conubial crucible, and relationship qual-

ity tends to decline over this period," says Olson, so the fact that relationship quality for couples in the joint-account group increased slightly is significant.

In another part of the survey, the researchers asked questions about financial harmony, including: "When it comes to our finances, my partner and I see eye to eye," and "My partner is satisfied with my attitudes toward money," and "Money is a constant source of conflict with my partner." Couples with joint accounts tended to have higher scores on these questions.

The authors found that financial harmony likely improved relationship quality, says Olson, noting that higher scores on the finan-

cial-harmony questions predicted which couples would also score highly on relationship-quality questions about 75% of the time.

The researchers then took things a step further and ran a separate survey of 507 people who had been married for 15 years on average. Participants answered questions about keeping their finances separate, together or in some combination.

They also were asked the questions about financial harmony. And they were asked about financial-goal alignment to better understand if joint accounts actually help couples get on the same page financially. Lastly, the survey contained questions designed to determine "communal-norm adherence"—that is, if spouses responded to each other's needs without expectations of reciprocity. For instance, did a spouse volunteer to do the dishes because their partner was exhausted or because it was their turn since their partner cleaned them the night before?

The researchers found that couples with merged finances scored about 29% higher on communal-norm adherence questions than couples with separate accounts. Couples with merged accounts also scored about 43% higher on financial-alignment questions.

"It's likely that people with joint bank accounts had to be more transparent about how they spent money," says Olson, "and that made them feel more aligned financially and better about the quality of their relationship."

Lisa Ward is a writer living in Vermont. Email: reports@wsj.com.



Forget Retirement. Become a Social-Media Star Instead.

'Granfluencers' are gaining celebrity on TikTok, Instagram and YouTube—and making big money

BY LORI IOANNOU

LYNN DAVIS, a 67-year-old retired engineer, never thought she would find fame and fortune on social media. She stumbled into it in the spring of 2020 during the pandemic while she and her family were in lockdown at their home in Holmdel, N.J.

One day, she says, her son Tim Davis, an out-of-work videographer, asked her to help him shoot some short cooking videos. He needed to do some work to keep his production and editing skills sharp, he said. And it would be fun.

In 30 days, the mother and son made 30 short videos and posted them on YouTube, each one a showcase of mom's quirky sense of humor and cooking skills, and son's video-production expertise.

Among other things, Lynja, as Lynn Davis calls herself on the show, might be doing some crazy antics in the kitchen such as cutting a watermelon with an ax, cooking a 50-lb. chicken nugget, or dressing up as a turkey while frying one up for Thanksgiving.

Today, "Cooking with Lynja" has nearly 27 million followers across TikTok, Instagram and YouTube, Linda Davis says. She says that her large fan base has helped her make deals with brands including Chobani, Impossible Foods and Disney Cruise Line that she adds have pushed her annual income well into six figures. A Chobani representative confirmed the company has worked with Davis. The other two brands didn't respond to requests for comment.

Sharing their expertise

What the Davises hit upon was the growing appeal of a new cultural phenomenon referred to among marketers as "granfluencers." Seen on TikTok, YouTube and other social media, granfluencers are seniors who share their expertise on a subject

through short, lively videos. Popular subjects include cooking, auto repair, fashion, health and life coaching. Most are people who rose from obscurity to stardom in a short time thanks to the quirks of social media.

"The whole concept on aging and what it means to be old is being rebranded," says Jennifer Furlong Sellar, a TV and social-media producer in Hollywood who works with Lydia Christopher, known as Champagne Glatma, an 82-year-old granfluencer who lives in Woodland Hills, Calif., and offers life lessons online based on her experience. Those lessons include how to manage expectations in a relationship, and how to bring joy into your life by changing your mindset.

Brands like the multigenerational fan base that granfluencers enjoy, and their high engagement rates. Looking at the top 10 granfluencers in the U.S., 74% of their followers are 18- to 34-year-olds, according to Activate HQ, an influencer marketing agency based in New York City.

"Fans are drawn to their authenticity, humor, wisdom and unique personalities," says Ryan Detert, CEO of Influential, an influencer-marketing company that has worked on granfluencer campaigns. "They are like unicorns in the social-media world, and they touch all generations."

After Chobani worked with Davis on a video about making Greek yogurt pops in 2020, the video went viral on TikTok within days garnering over three million views, according to a Chobani representative.

Influencers say that non-disclosure agreements prevent them from saying exactly how much the companies pay them, but the amounts are largely based on the number of followers, engagement and de-

mographics, and the formula tends to be the same for everyone, says Rose Meade Hart, a transactional attorney in New York who represents some successful granfluencers, such as Champagne Glatma.

"It doesn't matter if you are 80, or a 25-year-old in a bikini, it's a level playing field when it comes to how much they are paid as influencers," Hart says.

Aaron Earls, CEO of Activate HQ, says, "We're seeing granfluencers receive industry rates comparable to other creators." For megastars with mil-

lions of followers, "deals can range from \$30,000 to \$150,000 or more per post or campaign."

A second act

Many senior influencers who have enjoyed success say it has transformed their lives. Take Lillian Droniak, a 93-year-old widow and retired factory worker who lives in Shelton, Conn. Droniak, who promotes herself as Grandma Droniak, offers funny advice about dating, relationships and living life to the fullest.



Lillian Droniak, who goes by Grandma Droniak, has 12 million followers on TikTok.

She typically shoots her own videos with her cellphone. She started posting videos on TikTok four years ago, she says, because she was bored. Now she has 12 million followers on TikTok and 1.9 million on Instagram.

Droniak boosted her annual income by six figures thanks to brand deals with various companies. "Lillian's authentic personality and sense of humor really resonates with our diverse customer base," says Adam Kornblum, senior vice president and global head of digital for CeraVe, a skin-care products brand of L'Oréal that has worked with Grandma Droniak on product campaigns.

"It's been a hoot just horsing around and connecting with young people on social media," Droniak says. "It helps me feel less lonely and keeps me busy. I love the fact that so many of my followers tell me they wish they had a grandma like me."

Scotty Kilmer, who is 70 years old and lives in Clarksville, Tenn., is a granfluencer for car aficionados. On YouTube he uses the handle @scottykilmer. Before moving to YouTube in 2007, he hosted a TV show called "Crank It Up Scotty" on a CBS affiliate in Houston.

Today, Kilmer has 5.94 million YouTube subscribers. His video posts have garnered 2.5 billion views to date, and he says he has earned \$23.8 million. (A spokesperson for YouTube, a platform of Google, says the company's partner program typically pays partners 55% of net revenue from ads that Google displays on public videos or streams on a partner-creator's "watch page.")

Using a video camera and a tripod, Kilmer began filming videos at his auto shop in Houston, providing practical tips on auto repair and car buying. To his surprise, videos on such topics as five things you should never do with an automatic transmission and how to restore headlights permanently have attracted millions of views.

Kilmer attributes his success to being honest and providing useful content on a topic that interests a wide audience. "I just share my knowledge about the auto market," he says.

Lori Ioannou is a writer in Long Island. She can be reached at reports@wsj.com.

KEVIN DRONIAK

The Game Plan

A Couple Paid Down Most of Their Debt. Now They Need a New Financial Plan

BY DEMETRIA GALLEGOS

In September 2020, Weston and Emily Hayes were holding \$125,000 in debt, mostly his student loans and her new car. Today, that number is down to \$21,000 because they have dedicated themselves to becoming debt-free.

The couple now is wondering how best to reallocate savings to build an emergency fund, buy a house, plan for children and get serious about retirement savings.

Weston Hayes, 27, is an officer in the U.S. military, and Emily Hayes, 25, is a registered nurse. They currently live near Topeka, Kan., with their pug, Maggie. Together, they will make about \$180,000 this year before taxes.

Each of them saves enough in their workplace retirement plans to maximize employer matching funds. His Thrift Savings Plan, which is similar to a 401(k) but for service members, has \$23,450. Her 403(b) has \$7,400. In addition, each of them has about \$18,000 in Roth IRAs, to which they contribute the maximum of \$13,000 annually. He has \$1 million in life insurance and she has a \$500,000 policy.

Weston Hayes is currently a part-time student pursuing an M.B.A. in finance. He has three years remaining on his service commitment and isn't sure whether he'll stay on or join the private sector. The couple say they won't buy a home until they are more permanently settled. When they are ready to try for children, Emily Hayes will likely stay home for a few years and then shift to part-time nursing.

Their first goal is to establish a bigger transition fund. In addition to having enough cash on hand for emergencies, they plan to use it to cover his possible career change, a home down payment or her potential time away from the workforce. They have \$13,000 in a certificate of deposit earning 4.5%. They would like to get to \$100,000 in short-term savings.

The couple rents a two-bedroom home for \$1,150 a month. Their cars, a Honda CR-V and a Chevy Silverado, are paid off. They spend about \$1,100 on groceries and eating out each month, and \$380 on phones, internet and utilities. Health insurance is free under his military benefits.

The Hayeses feel as if they live very frugally. One larger expense is doggy daycare at as much as \$100 a week. They set aside about \$250 a month for fun.

The spouses have some basic differences in their approaches to personal finance: He is aware of every dollar spent, while she is a little looser. But she says she appreciates her husband's focus and how far they have come. "I see how much he cares to make sure our family is taken care of," Emily Hayes says.

• **Advice from a pro:** The Hayeses are off to a strong start, says Tina T. Hoang, a retirement income certified professional with Northwestern Mutual based in Dallas. "They're logical, realistic in their thoughts," Hoang says. "He seems to be very future-oriented, but she seems to keep him grounded and reminds him 'We want to enjoy our 20s.'" Hoang sees financial planning as an



Emily and Weston Hayes would like to get their short-term savings fund to \$100,000.

emotional, mathematical and psychological undertaking, so she asks clients to numerically rate their priorities, which can reveal conflict or alignment. The Hayeses gave retirement a 10/10, above all other categories, such as savings (6) and student loan repayment (4). So she agrees with their decision to keep making minimum student-loan payments of \$180 a month (on a loan with a 4.75% interest rate) while dialing up their other savings.

In addition to their \$13,000 CD, she recommends a "ladder of CDs." Hoang thinks a series of CDs with staggered maturity rates will likely earn the best return on their money at today's high interest rates. If they dedicate all of the money that formerly was paying off debt, the ladder would top \$100,000 within three years, she says.

But if interest rates go down significantly, Hoang says, the Hayeses might want instead to shift some of that money into a brokerage account or boost their workplace savings to better build wealth for their retirement.

For purchasing a home, the couple should look into a VA mortgage, Hoang says. Those loans typically have more favorable terms than a conventional mortgage that might eliminate the need for a large down payment. But the adviser also recommends the Hayeses check into mortgages tailored for healthcare workers such as registered nurses, depending on what state they are in.

Demetria Gallegos is an editor for The Wall Street Journal in New York. Write to Demetria.Gallegos@wsj.com.

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