

What's News

Business & Finance

- ◆ **China Evergrande's** 11th-hour cancellation of a restructuring affecting more than \$19 billion of its international bonds could lead to a messy collapse and have "a catastrophic effect" on other troubled companies in the property sector, its bond investors said. **B1, B10**
- ◆ **Country Garden** failed to make an international debt payment after the Chinese developer's apartment shares plunged in September, succumbing to a liquidity crisis that worsened over the past few months. **B10**
- ◆ **Chinese consumers** spent and traveled less during the eight-day holiday that ended Friday than the government had projected, figures showed, while home sales in key cities were weaker than last year. **A5**
- ◆ **Oil prices and defense** stocks climbed after the worst attack on Israel in decades shook financial markets. Major indexes rose, with the S&P 500 and Dow both gaining 0.6% and the Nasdaq adding 0.4%. **B11**
- ◆ **Nearly 4,000 members** of the United Auto Workers went on strike at Volvo Group's Mack Trucks unit after rejecting a five-year contract proposal. **B3**
- ◆ **CNN Chief Executive** Mark Thompson told staff that the network needs to step up its digital game, saying conventional TV "can no longer define us," and that its journalists shouldn't be distracted by debates about balance or false equivalency. **B3**
- ◆ **Molson Coors** secured a credit-rating upgrade and unveiled a plan for \$2 billion in share buybacks. **B3**

World-Wide

- ◆ **Israel prepared** for what could be an extended ground assault in the Gaza Strip, and the U.S. warned Iran and the militant group Hezbollah to "think twice" before joining the conflict, saying it was prepared to come to Israel's defense. **A1, A6-7**
- ◆ **Israel's unprecedented** hostage crisis took an even graver turn when Palestinian militants threatened to begin killing prisoners unless the government ratchets back its bombardment of their Gaza sanctuary. **A1**
- ◆ **Pro-Ukraine senators**, unnerved by the upheaval in the House, say they want to move quickly to pass a year-long aid package for Kyiv that far exceeds the amount of aid Biden requested in August and would last through the 2024 election. **A4**
- ◆ **President Biden** has been interviewed by the special counsel probing why classified documents ended up at his home and an office he once used at a think tank, a sign the investigation is entering its late stages. **A4**
- ◆ **House Republicans** struggled to find unity on a path to electing a new speaker to replace McCarthy, as members vented their frustrations over the party's disarray. **A4**
- ◆ **Robert F. Kennedy Jr.** ended his long-shot Democratic presidential bid, announcing plans to run as an independent. **A4**
- ◆ **Two large law firms** changed their fellowship programs meant to recruit underrepresented law students amid lawsuits led by an affirmative-action foe. **A3**

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Israel Readies Ground Assault in Gaza



Artillery shells were lined up Monday in Israel near the border with Gaza as Israel's military unleashed a barrage of attacks.

Netanyahu threatens a military response that will 'reverberate for generations'

ALONG THE ISRAEL-GAZA BORDER—Israel prepared for what could be an extended ground assault in the Gaza Strip, and the U.S. warned Iran and the militant group

By Dion Nissenbaum, Stephen Kalin, Dov Lieber and Nancy A. Youssef

Hezbollah to "think twice" before joining the conflict, saying it was prepared to come to Israel's defense.

Israel ordered a siege of the Palestinian enclave on Monday, and dozens of tanks and hundreds of Israeli soldiers fanned out along the Gaza Strip border. Hamas threatened to execute Israeli hostages it seized some 48 hours earlier during a devastating invasion.

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- ◆ **Israel tells Chevron to shut offshore platform**..... A7
- ◆ **James Mackintosh: War's impact on markets**..... B11

Israelis, Caught by Surprise, Prepared for the 'Wrong War'

BY RORY JONES AND DION NISSENBAUM

TEL AVIV—Israel spent three years building a 40-mile-long, state-of-the-art, high-tech security barrier along the Gaza Strip, with radar and sensors designed to detect furtive incursions by Palestinians bent on carrying out covert attacks in Israel.

On Saturday, Hamas used bulldozers and other rudimentary means to punch through the 20-foot-high fence and flooded men through gaps in pickup trucks and on foot, a frontal assault on southern Israel that was the largest breach of the country's bor-

ders since the 1973 Yom Kippur war.

It was a stark illustration of the limits to the Israeli military's shift in focus to cyber capabilities, intelligence-gathering and advanced weaponry and its concentration on countering terrorist attacks. The armed forces were caught off guard by a relatively low-tech ground assault.

Now, the Israeli military is preparing for the possibility of a large-scale operation in Gaza, where it will have to rely more heavily on infantry and conventional artillery, areas deprioritized in recent years, and where it could be drawn into street-by-street

fighting and urban warfare.

Israel's military "has been preparing for the wrong war," said Avi Jager, a researcher at the Israel-based International Institute for Counter-Terrorism.

Recent military attention was directed at the West Bank, where Israel deployed forces to quell a Palestinian militant insurgency. Israeli intelligence warnings of potential war had focused on the north and the threat from Hezbollah, Hamas's Lebanese ally, military analysts said.

Until Saturday, Israeli officials widely believed a policy of boosting Gaza's economy

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Hostage Crisis Deepens With Execution Threat

BY DAVID S. CLOUD AND ANAT PELED

Israel's unprecedented hostage crisis took an even graver turn Monday when Palestinian militants threatened to begin executing prisoners unless the government ratchets back its bombardment of their Gaza sanctuary.

"From this hour on, we announce that any targeting of civilian homes without advanced warning will be met regrettably with the execution of one of the enemy civilian

hostages we hold, and we will be forced to broadcast this," said Abu Obaida, the spokesman for Hamas's military wing, the Al-Qassam Brigades, in a statement broadcast on Arab satellite news channels.

The announcement drove home the excruciating dilemma faced by Prime Minister Benjamin Netanyahu's government as it weighs whether to further ratchet up its three-day-old offensive in Gaza to punish Hamas for a weekend assault that left over 900 Is-

Please turn to page A7

Mind the Gender Gap

Claudia Goldin of Harvard University became the third woman ever to receive the Nobel Prize in Economic Sciences. She was recognized for her groundbreaking research on women in the workforce, including why they earn less than men and are less likely to work. **A2**



CARLIN STIENI/GETTY IMAGES

A Tax-Refund King Downshifts

BY RUTH SIMON

Howard Makler kicked off 2023 with a celebration for employees, toasting a banner year. The festivities began with yoga led by the small company's "well-being mentor." A Saturday night banquet featured a red carpet, ice sculptures and a drill and drum band.

By late September, Makler had kicked much of the staff to the curb. His company, Innovation Refunds, is down to 270 full-time workers from a peak of 1,000. It has halted all marketing and stopped much of its activity. Innovation Refunds was one

of the largest competitors in a cottage industry that flooded radio and television with ads promoting the Employee Retention Credit. The company's swift rise and fall shows how quickly the once-obscure Covid-era tax break became a gold mine and how government efforts to fight ERC fraud are rippling through the industry.

In September, after several warnings, the Internal Revenue Service said it was halting the processing of new claims and would further scrutinize 600,000 pending requests for the credit. The IRS has started thousands of ERC audits.

Innovation Refunds has stopped submitting new ERC claims. Makler said he would decide whether to resume after new IRS guidance. "Our company is pivoting," Makler said in an interview. "We are not hanging our future on returning to the ERC."

Congress created the ERC to reward small businesses and nonprofits for keeping employees on the payroll during the pandemic. Aggressive marketing has made the tax break far more costly to U.S. taxpayers than expected. Payments have already totaled \$230 billion. Please turn to page A5

UAW Leaders Trash-Talk Carmakers' Proposals—Literally

Wastebasket mania hits auto workers after union leadership adopts a mundane prop

BY NORA ECKERT

A plain black trash can, the kind that comes straight out of a Staples catalog, has emerged as the unlikely new power symbol of the United Auto Workers union.

UAW members have rallied around the waste bin as the union enters its fourth week of strikes at General Motors, Ford Motor and Chrysler-parent Stellantis. The two sides are trying to secure new labor contracts for about 146,000 unionized auto-factory workers.

The garbage-can mania began after UAW President Shawn Fain, a 54-year-old with buzz-cut gray hair and a typically calm demeanor, liter-

ally and figuratively trashed what he called a "lowball" proposal from Stellantis.

In a video update to union members in August, Fain pulled out a rectangular-shaped garbage bin from under his desk and slammed the document into it with an audible clunk.

"That's where it belongs," he said, growing visibly agitated. "The trash."

It's become the trash-can toss heard around Detroit. Union members have started wearing T-shirts with Fain's face floating above a waste bin stuffed with proposals from the automakers, and there's been broader talk of creating trash-can UAW merchandise.

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Power symbol

INSIDE



PERSONAL JOURNAL

You need to stop obsessing about work when you're not on the job. **A9**



JASON GAY

Will the Patriots' sad, sinking season push Belichick to motor off into the sunset? **A12**

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U.S. NEWS

Work on Gender Gaps Earns Economics Nobel

Claudia Goldin of Harvard has tracked the history of women and labor markets

BY SARAH CHANEY CAMBON AND PAUL HANNON

BOSTON—Harvard University's Claudia Goldin is a labor economist, teacher and mentor. She is now also a Nobel Prize winner for her groundbreaking research on women in the workforce.

Goldin was awarded the Nobel Prize in Economic Sciences on Monday, the third woman to receive the economics prize since the award started in 1969. The 77-year-old Harvard economist has spent decades analyzing troves of data to produce research illuminating the history of women's job-market experiences.

Goldin's expansive work portfolio includes pieces on the drivers of female labor-force participation, the origins of the gender pay gap and hiring biases against women. Her

paper, "Why Women Won," which documented the evolution of women's legal rights, published this month.

"Goldin's discoveries have vast societal implications," said Randi Hjalmarsson, professor of economics at the University of Gothenburg in Sweden.

Goldin was admittedly tired upon entering Monday's press conference at Harvard. She was, after all, asleep when she received the early-morning call with the news of her Nobel Prize. Still, her passion regarding decades of research and relationship-building radiated as she spoke at Monday's event.

"The increase of women in economics is important for a host of reasons," Goldin said. "For me personally it has been important because I have had the most wonderful co-authors."

One such co-researcher, Claudia Olivetti of Dartmouth College, said Goldin's body of work has shaped much of the current research on women and labor markets. Perhaps less well known, Olivetti said,

is Goldin's extraordinary mentorship of women.

Goldin "has been a source of inspiration to many women in economics, generously sharing her experiences and demonstrating the possibilities of success," Olivetti said.

Some professors view themselves as researchers, rather than teachers. Not Goldin.

"I could never do research without doing teaching," she said. "When I teach, I am forced to confront what I think is the truth."

Goldin was the first woman to secure tenure in Harvard's economics department. She follows Esther Duflo in 2019 and Elinor Ostrom in 2009 as female recipients of the economics Nobel Prize.

Goldin is married to Lawrence Katz, also a Harvard economist. Both are avid bird watchers and hikers, colleagues said. She has a 13-year-old golden retriever named Pika and no children.

Around the world, 50% of women have paid jobs, compared with 80% of men, although that gap is smaller in



Claudia Goldin at her home in Cambridge, Mass., Monday.

advanced economies. Across the developed economies, women earn 13% less on average and are less likely to play senior roles in the organizations they work for.

Goldin's research questioned the assumption that women had steadily, or would inevitably, narrow those gaps. Using data that had previously attracted little attention, she established that far fewer women worked in paid employment in the early

1900s than in 1800, while that share rebounded as the 20th century advanced, albeit slowly.

Her writing includes 1990's "Understanding the Gender Gap: An Economic History of American Women." Examining 200 years of data, Goldin tracked the changing fortunes of women in the workplace as it changed from farm to factory to office.

She also identified some of the considerations that affected the decisions made by women about their participation in the workforce, as well as the constraints they faced at particular times. In one well-known paper, she examined the effect of the contraceptive pill on decisions about work and marriage.

The pay gap between male and female workers had long been attributed to differences in educational attainment, with women typically spending fewer years in formal education.

But that can no longer be true of many developed countries, where women are now better educated on average

than men. Instead, Goldin's work indicates that the gap in pay occurs with the birth of a first child, with women typically devoting more time to child care.

But darker forces are also at work. In one paper, Goldin and co-author Cecilia Rouse from Princeton University showed that the number of female members of the leading U.S. symphony orchestras rose sharply in the 1980s partly because of the adoption of "blind" auditions, where the candidate for an orchestra position auditioned behind a screen, concealing their gender or race from those doing the hiring.

In their paper, called "Orchestrating Impartiality: The Impact of 'Blind Auditions' on Female Musicians," the authors found data across decades of hiring by symphonies both before and after the introduction of blind auditions to show that about a quarter of the increase in female members of orchestras over that time was due to blind auditions, suggesting previous bias.

U.S. WATCH



GONE WITH THE WIND: Kiteboarders ride waves along Lake Michigan on Monday in St. Joseph, Mich.

PRESIDENTIAL RACE

Ex-Rep. Hurd Suspends '24 Bid

Former Texas congressman Will Hurd suspended his Republican presidential bid Monday, abandoning a brief campaign built on criticizing Donald Trump at a time when his party seems even more determined to embrace the former president. Hurd said on X, the platform formerly known as Twitter, that he was endorsing Nikki Haley, a former U.S. ambassador to the United Nations, for the GOP nomination.

"While I appreciate all the time and energy our supporters have given, it is important to recognize the realities of the political landscape and the need to consolidate our party around one person to defeat both Donald Trump and President Biden," Hurd wrote.

He said Haley "has shown a willingness to articulate a different vision for the country than Donald Trump and has an unmatched grasp on the complexities of our foreign policy."

Hurd ending his campaign follows another Republican candidate, Miami Mayor Francis Suarez, who suspended his campaign shortly after failing to make the first debate stage.

CALIFORNIA

Police Kill Driver Who Hit Consulate

San Francisco police said they shot and killed a driver who crashed into the Chinese Consulate lobby Monday, prompting a massive response from officers and firefighters.

Officers entered, made contact with the suspect and an officer-involved shooting occurred involving the driver, police Sgt. Kathryn Winters said. Despite "lifesaving efforts," the suspect was pronounced deceased at a hospital, police said.

Television cameras showed a vehicle that had smashed into the building. A Honda sedan was seen crashed into the visa office and the area in front of the building was cordoned off.

Winters said police didn't know why the vehicle crashed into the building or how many people were inside at the time but said they didn't have reports of other injuries.

Police were working and coordinating with investigators from the U.S. State Department and the Chinese Consulate.

OREGON

Record Surplus Brings Tax Relief

In Oregon, a record \$5.6 billion in revenue surplus will be returned to taxpayers in the form of an income tax credit known as a "kicker," officials said Monday.

The state's Office of Economic Analysis, which confirmed the amount of the kicker in a news release, described it as "the largest in state history."

It will be credited to taxpayers on state personal income tax returns for 2023 that are filed next year. The typical Oregonian is expected to receive a \$980 credit, according to state economists.

Taxpayers can claim the kicker if they filed a 2022 tax return and had tax due before credits.

However, the state can use all or part of someone's kicker to pay any state debt they owe, such as tax for other years, child support, court fines or school loans, the news release said.

The record kicker came on the heels of an increase in revenue at the end of the 2021-23 budget cycle, state economists said.

FLORIDA

State Settles Suit Over Covid-19 Data

Florida will provide Covid-19 data to the public again after a former Democratic state representative settled a lawsuit with Republican Gov. Ron DeSantis' administration over the decision two years ago to stop posting information on the virus' spread online.

Then-Rep. Carlos Guillermo Smith sued after the Department of Health denied his public records request for Covid-19 data in 2021 and announced the settlement Monday. He was joined by the Florida Center for Government Accountability.

The settlement requires the department to provide Covid-19 data to the public for the next three years, including weekly statistics on cases, deaths and vaccinations by county, age group, gender and race, Smith said. The state must also pay more than \$152,000 in legal fees to cover the plaintiffs' legal costs. Florida stopped daily Covid-19 updates on its online dashboard in June 2021, citing a decrease in cases and an increase in vaccinations.

UAW Talks Trash Over Proposals

Continued from Page One

"For me, it was a turning point," said Ben Bell, who works at a Michigan factory owned by Stellantis. Before that moment, he said, he was concerned the newly elected Fain wouldn't take a strong enough stance against the car companies. "He was an unproven commodity," Bell said.

Ryder Littlejohn, a team leader at a Ford stamping plant in New York, said the action spoke to auto workers' anger and exasperation with the concessions workers have made in past rounds of talks.

When Littlejohn saw Fain turn to the unlikely prop, he said, "I literally jumped out of my chair."

Littlejohn recruited a co-worker at his factory to fashion an aluminum trash can with UAW etched on the front, which they mailed to Fain.

A few weeks after the first trashing, the UAW leader yet again pulled out his black, plastic can—this time with a bargaining proposal from Ford in hand. Viewers littered the comments section in the livestream with trash can emojis.

"Straight in the garbage," said one viewer on YouTube. "File it where it needs to go," said another.

Fain said there wasn't enough room in the can. "This trash can is overflowing with the bulls— that the Big Three continue to peddle," he said, setting it down.

The automakers have not been amused.

An executive at Stellantis wrote in a note to employees after its offer was canned: "The theatrics and personal insults will not help us reach an agreement."

The CEOs of Ford and GM have said Fain is more concerned with attracting media attention than reaching a deal. Executives at the companies have also criticized the union's messaging tactics, emphasizing that the strike has had serious consequences, including the temporary layoffs of thousands of workers at the automakers and suppliers.

The companies have put forth offers that they say are already their most lucrative for members in history, but the union has held steadfast to getting more.

"The one thing that has really captured the current moment, negotiating with the Big Three, has been the trash can," said Rafael Jaime, president of a UAW local in California.

To tap in to the excitement, he decided to forgo the more traditional union jackets, pins and other trinkets as a reward for a \$100 donation to the union's strike fund and instead dole out trash cans like the one Fain uses.

Fain, a former electrician from Kokomo, Ind., has proven himself a fiery leader with a strike strategy that has kept the companies guessing. He also has a theatrical bent. He quotes Malcolm X during strike rallies and posts provocative memes riffing off movie clips and "The Bachelorette" online.

The idea to trash the proposal struck Fain only a few minutes before he went on camera. He acknowledged that the dramatic gesture may have seemed out of character to those who don't know him well.

"This is my typical demeanor," he said quietly in an interview, sitting at a table at the union's headquarters in Detroit, a building known to members as Solidarity House. His mood shifts when he starts thinking about the UAW members and the sacrifices they've made over the years, he said. "It fires me up."

Previous UAW presidents have occasionally used props in bargaining. The late Stephen Yokich, who led the union in the 1990s, showed up to negotiations with Ford executives with a pair of baseball bats to show how the union was going to go to bat for members.

A large, inflatable rat nicknamed Scabby has become a familiar sight at establishments where workers are on strike, intended to warn so-called scab workers from crossing the picket line.

Now, UAW's vigorous use of social media has helped spread the trash can frenzy.

"Massive spike in use of [trash can] emoji among auto workers across America," union communications director Jonah Furman posted in early September on social-media platform X, formerly known as Twitter.

The black bin has been noticeably absent from Fain's more recent updates on negotiations. It was last visible in the backdrop of an early September livestream, stuffed with crumpled papers and bearing a stark red label: "BIG THREE PROPOSALS."

Bell, for one, is ready for it to reappear in Fain's videos. "Every time he touches the trash can, my heart skips a beat," he said.



Ryder Littlejohn was inspired to fashion an aluminum trash can with a co-worker.

CORRECTIONS & AMPLIFICATIONS

Oak Hill Advisors is among **Finastra's** lenders. A Business & Finance article on Monday about corporate lending incorrectly listed Oak Hill Capital as a lender to Finastra.

Andrew Hager, historian-in-residence for the Presidential Pet Museum, wrote the book "All-American Dogs: A History of Presidential Pets from

Every Era." A U.S. News article Saturday about unruly White House pets incorrectly omitted the first reference to Hager.

The last name of Hugh Davison was misspelled as Davidson in a photo credit that appeared in October's WSJ. Magazine with an article about rugs from Flamingo Estate and Beni Rugs.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

Challenges Upend Law-Firm Diversity Programs

By ERIN MULVANEY

Two large law firms have changed their fellowship programs meant to recruit underrepresented law students amid lawsuits led by a prominent opponent of affirmative action.

The revisions, by firms Morrison & Foerster and Perkins Coie, come as employers, investors and judges look to sort out the ramifications of the Supreme Court's blockbuster June ruling that outlawed affirmative action in higher education. Other new cases are brewing, including an escalating battle over a venture-capital firm's program that makes grants to Black female entrepreneurs.

In August, the law firms were sued by a group backed by Edward Blum, an anti-affirmative action activist who also organized the lawsuits that spurred the Supreme Court's 6-3 decision, which found the use of racial preferences in college admissions violates the constitutional guarantee of equal protection.

The firms offered fellowship programs, common in the industry, designed to diversify the legal ranks by giving opportunities to law students from underrepresented backgrounds. The Blum-backed American Alliance for Equal Rights argued the firms were engaged in unlawful racial discrimination against white candidates.

Perkins Coie's fellowship program sought applications from "students of color," those who "identify as LGBTQ+" and students with disabilities, according to the lawsuit. The firm, which previously vowed to fight Blum's lawsuit, said Friday that it had revised its fellowship criteria and expanded the applicant pool because of the Supreme Court's decision.

"We are proud of our firm's progress and even as the legal landscape evolves, our commitment to strengthening diversity and creating a more inclusive workplace remains steadfast," said Genhi Givings Bailey, Perkins Coie's chief diversity and inclusion officer.

Morrison & Foerster said in a court document that it had already been in the process of revising criteria for its fellowship program for the 2024 class, even before the firm was sued by Blum's group.

"Being a leader in the effort to remove barriers and create opportunities in the legal profession has made us a target, but Morrison Foerster's commitment is steadfast and unshakable," said the firm's chair, Eric McCrath.

Blum's organization agreed Friday to dismiss its suit against the firm. By ending its "race-exclusive internship program," the firm "admits that its earlier program was illegal and has opened it up to all law students regardless of their race and ethnicity," Blum said. For now, he said, the Perkins Coie litigation remains active.

The legal industry has long struggled with diversity, lagging behind in the highest ranks. Women and people of color have made incremental progress in representation for associate-level positions at firms, according to recent data from the National Association for Law Placement.

Law firms and lawyers tend to be risk averse, but it remains to be seen if the lawsuits will have a chilling effect on diversity programs, said Merle Vaughn, diversity practice leader with Major, Lindsey & Africa, a legal recruiting firm.

"I don't think they will be frightened away from who they want to hire," Vaughn said. "How do you determine the best and the brightest? That's what is under attack here."

In the venture-capital case, the same Blum organization sued the Fearless Fund, an Atlanta-based organization that invests in businesses run by women of color. The litigation centers on a program that provides \$20,000 grants and mentorship to small businesses owned by Black women.



AMY OSBORNE FOR THE WALL STREET JOURNAL

Honors Classes Cut to Lift Racial Equity

As some parents push back, several districts say data show mixed success

By SARA RANDAZZO

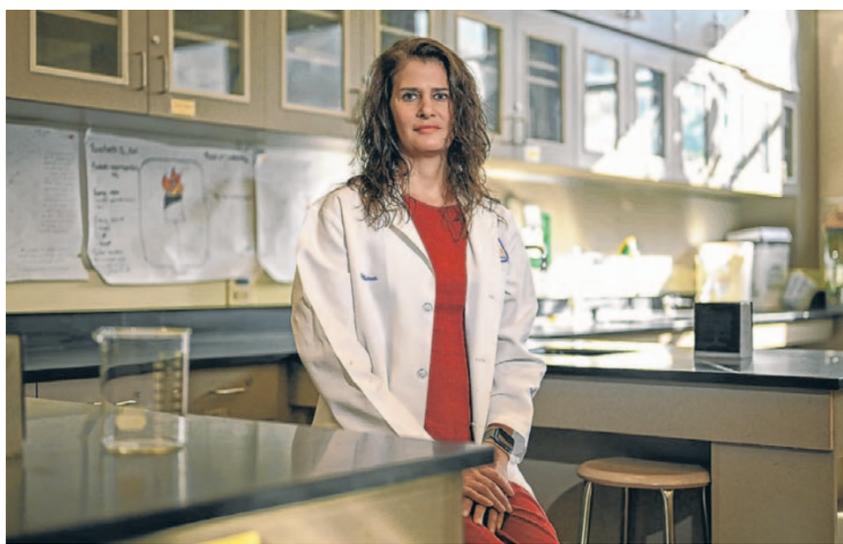
Before science teacher Rachel Richards's Silicon Valley high school eliminated honors classes in her department, teaching the non-honors courses meant you were in for a year of behavioral problems, she recalled.

Now, students from across achievement levels are taught together, and Richards has noticed the teenagers try harder and pay more attention to lessons. "You're not considered uncool anymore for taking a class seriously," she said.

Menlo-Atherton High School, where Richards has worked for a decade, is among a number of high schools nationwide that are trying to reduce racial segregation on campuses by eliminating two-tiered systems of honors and regular classes, primarily during freshman year.

The theory goes that starting everyone on equal footing gives more students the confidence and skills needed to enroll in honors and Advanced Placement courses in later years. The changes typically target Black and Latino students, who are underrepresented in advanced courses in most states.

Districts in California and Illinois report mixed success in widening the pool for advanced classes after making changes to freshman-year offerings, district data show. Students who continue on to AP or International Baccalaureate classes still succeed on national exams, even in the absence of freshman-year



Rachel Richards, a science teacher at Menlo-Atherton High School, shown at top, says students across achievement levels are trying harder and paying attention to lessons.

honors classes, school officials say.

Some students reported a decrease in rigor.

"We're not fixing anything," said Jacob Yuryev, a senior in Menlo-Atherton's Sequoia Union High School District. The district's four traditional high schools have eliminated about half a dozen honors classes in recent years, but the number of lower-income and minority students choosing to enroll in advanced courses later in high school hasn't budged, according to a new report. "We're simply delaying the emergence of these realities," Yuryev said.

Sequoia Union officials are pointing to some signs of success, like more socioeconomically disadvantaged students meeting graduation requirements and completing courses needed for University of California admissions.

The district's 121-page report has re-stirred a decades-

old debate over so-called tracking in this Northern California community, which pulls students from wealthy, tech industry-fueled enclaves as well as working-class, immigrant communities. Vocal parents have insisted that their high-striving kids are being shortchanged and that removing honors classes won't solve an achievement gap. Teacher sentiments have been split.

"I've had several people tell me that ninth grade is soft," Sequoia Union school board President Richard Ginn said during a September meeting. "I'm hearing many people say...My God, we can't go there now."

District administrators and teachers spent hours at the recent board meeting defending the elimination of certain honors courses, arguing that the changes haven't harmed high-achieving students and that they create a more equitable learning environment.

"It's OK at the freshman level that they are enjoying a common experience," Karen van Putten, the principal of Woodside High School, told the Sequoia Union board. "And common should not be a negative word." Woodside eliminated honors freshman English in 2022, a year after Menlo-Atherton did the same. District staff said honors English had overwhelmingly attracted Woodside's white students and not its Hispanic ones.

In the Chicago suburb of Oak Park, the local high school is analyzing the first year of a revamped curriculum that enrolls almost all ninth-graders in honors classes for English, science, history and world languages. Those who test below grade level are placed instead in catch-up courses.

Oak Park and River Forest High School officials pitched "honors-for-all" to the com-

munity for three years before implementing it. "I'm not willing to have my children succeed if it means they have to step on Black kids to do so," Mary Anne Mohanraj, a board member for the high school, said in October 2021 before voting in favor, calling it a moral choice.

In the freshman class entering Oak Park in 2021-2022, a year before the new system, white students made up 54% of the class and at least 62% of those in honors classes; Black students were 18% of the class and 9% or less of honors enrollment.

In a district study released last month, the school points to a promising early sign: The proportion of courses that sophomores enrolled in this year that were honors or Advanced Placement rose by 8 percentage points, to 44%. In the four restructured subject areas, it rose 7 points to 66%.

While more students across racial groups enrolled in advanced classes after the changes, differences by race persist. Among white sophomores, 77% of their core classes were at advanced levels, compared with 41% for Black students, 60% for Hispanic students and 85% for Asian students.

Five years ago, 66% of white sophomores' core classes were honors or AP level, compared with 22% for Black sophomores, 42% for Hispanic sophomores and 62% for Asian sophomores.

Laurie Fiorenza, Oak Park's assistant superintendent for student learning, said staff could see in test data that students across racial groups were capable of honors-level work, but only certain students were enrolling. "We had to remove those barriers," she said.

A \$19,000 Lectern Puts Governor in Hot Seat

By ADOLFO FLORES

Arkansas Gov. Sarah Huckabee Sanders is embroiled in an unusual political scandal that has led an alleged whistleblower to step forward with potentially damaging claims and that has become the talk of the Natural State.

It's about a \$19,000 lectern. The scandal—dubbed "PodiumGate" on social media—centers on her office's purchase of a seemingly expensive piece of furniture to stand behind while speaking.

Records show Sanders's office bought the lectern for \$19,000 from a firm owned by a known Republican operative in a no-bid purchase. Lecterns seemingly identical to the simple, wood-paneled model Sanders's office purchased appear to sell online for a fraction of that price.

The Republican governor, who became a national political figure standing behind a lectern as former President Donald Trump's White House press secretary, has dismissed claims of wrongdoing, calling the flap a politically motivated attack. The Republican Party of Arkansas has stepped up to stand behind Sanders by covering the cost of the controversial item.

This week, the state's Legislative Joint Auditing Com-



The lectern was bought by the office of Arkansas Gov. Sanders.

mittee could decide whether to audit Sanders' office over the lectern purchase. Sanders's office said it welcomed an audit. "This is nothing more than a manufactured controversy by left-wing activists to distract from the bold conservative reforms the governor has signed into law and is effectively implementing in Arkansas," said Alexa Henning, Sanders's communications director.

Henning said the use of the state credit card to buy the

lectern was an accounting error and the state was reimbursed by the Arkansas GOP from inauguration funds the governor raised.

The lectern purchase came to light last month after Sanders called a special legislative session for lawmakers to amend Arkansas's public-records laws to restrict retroactively the release of travel and security records for senior state officials. The changes were necessary to protect the safety of the governor and

other top state officials, Sanders said.

On the first day of the special session, Matt Campbell, a liberal blogger and lawyer who runs a site called Blue Hog Report, posted photos online of previous records he obtained that he said could be kept from the public if lawmakers passed Sanders' proposed changes.

Among the records was a state credit-card transaction that listed a \$19,029.25 charge paid to an outfit called Beckett Events. Afterward, Campbell said an anonymous follower messaged him to say the item in question was a lectern. He followed up with more records requests.

"At no point ever was this going to be reimbursed by the GOP until after I asked about it," Campbell said.

Then Tom Mars, Walmart's former general counsel and a well-known lawyer in Arkansas who served as State Police director and personal attorney for Sanders's father, former Arkansas Gov. Mike Huckabee, got involved.

Mars, who has been a critic of the Sanders administration, said he was representing a former state employee who could provide lawmakers with evidence that the governor's office altered and withheld files Campbell requested un-

der the state's public records act, including some of Sanders's purchases on Amazon.com and emails.

Mars noted that Beckett Events, the company the lectern was purchased from, is owned by Virginia Beckett, a Republican who worked as Mitt Romney's field director in 2012 and has been involved in politics and communications in Washington, D.C., for more than a decade. Beckett didn't respond to requests for comment.

"It appears that the Governor Office's alteration of the \$19K invoice, payable to one of the Governor's closest friends, was simply the continuation of a scheme to mislead the public and cover up a highly suspicious, unexplainable misuse of state funds," Mars said.

AmpliVox Portable Sound Systems lists a Falcon lectern similar to the one the governor's office purchased for sale between \$6,962 and \$7,553 for one with a mic.

Don Roth, the company's chief executive, said it was possible that a customized version could cost \$19,000, if it was altered to change the height or width, or used more expensive materials.

The lectern AmpliVox's site is 49 inches tall, and the one Sanders paid for was 39 inches.

U.S. NEWS

President Interviewed On Records

Special counsel Hur is investigating classified papers found at Biden home

By SADIE GURMAN

WASHINGTON—President Biden has been interviewed by the special counsel probing why classified documents ended up at his home and an office he once used, the White House said Monday, a sign the investigation is entering its late stages as the 2024 presidential campaign heats up.

“The voluntary interview was conducted at the White House over two days, Sunday and Monday, and concluded Monday,” White House spokesman Ian Sams said.

Attorney General Merrick Garland appointed the special counsel, Robert Hur, to lead the inquiry in January, after the disclosure that aides found classified records, likely dating from Biden’s time as vice president, at a Wilmington, Del., garage and at an office he used at the Penn Biden Center for Diplomacy and Global Engagement, a Washington-based think tank connected to the University of Pennsylvania.

Hur had been negotiating for weeks with Biden’s lawyers over the contours of an interview with the president, according to people familiar with the matter. The two sides until recently were still discussing many details of the interview, including what the scope of questions would be.

Sams didn’t say what the president was asked, only that Biden and the White House were cooperating. He referred other questions to the Justice Department, where a spokesman declined to comment.

“We have provided relevant updates publicly, being as transparent as we can consistent with protecting and preserving the integrity of the investigation,” Sams said.

The investigation into Biden’s handling of classified documents, proceeding as a separate special counsel is prosecuting former President Donald Trump for his retention of such material after he left the White House, has been a political liability for the White House. It also strained Biden’s relationship with Garland and stirred distrust of the Justice Department among some White House aides.

Those aides pointed out that prosecutors closed within

months an inquiry into classified documents found at former Vice President Mike Pence’s Indiana home but assigned a special counsel—with wider latitude and more independence—to examine similar issues for Biden.

The Federal Bureau of Investigation searched the Penn Biden Center shortly after Nov. 2 of last year, when Biden aides found classified material there and surrendered it to the National Archives. Agents later also searched Biden’s homes in Rehoboth and Wilmington Del., where they turned up further classified documents.

The interview with Biden signals that Hur’s probe is nearing its end. It took place after the special counsel spoke to a number of aides and officials who would have insight into how Biden and his staff handled and moved the documents before and after their discovery.

Before taking the sensitive step of seeking an interview and questioning a sitting president, Hur and his team likely would have first established confidence in their general understanding of how classified documents turned up at Biden’s home and office following his time as vice president.

Hur is expected to draft a report of his findings, which he will likely seek to release months before the 2024 election to avoid any perception of the Justice Department attempting to influence the presidential race.

Garland’s January appointment of Hur, who Trump had earlier named as a U.S. attorney, heightened political pressure on the White House and Justice Department, which now finds itself in an unprecedented scenario in which three different special counsels are investigating the president, his son and Trump, who is likely the president’s chief rival for the 2024 campaign.

Special counsel Jack Smith has charged Trump with improperly withholding classified documents and separately conspiring to illegally overturn his 2020 election loss. Trump has pleaded not guilty in both cases.

In August, Garland named Delaware U.S. Attorney David Weiss as a special counsel to continue his prosecution of Hunter Biden, the president’s son, after plea talks broke down. Earlier this month Weiss filed felony gun charges against Hunter Biden, who pleaded not guilty.

—C. Ryan Barber contributed to this article.

The interview with Biden signals that Hur’s probe is nearing its end.



Former House Speaker Kevin McCarthy on Monday didn’t rule out the idea of joining the race for speaker.

GOP Airs Grievances on Speaker

WASHINGTON—House Republicans struggled to find unity on a path to electing a new speaker, as members vented their frustrations over the party’s disarray ahead of a planned conference vote later this week.

By Katy Stech Ferek, Siobhan Hughes and David Harrison

Roughly 150 lawmakers met behind closed doors on Monday night, kicking off what they hope will be a quick process to find a successor to Rep. Kevin McCarthy (R., Calif.), ousted last week by eight rebel Republicans who voted with Democrats.

Republicans are set to at-

tend a candidate forum on Tuesday and a conference vote as soon as Wednesday morning to pick their nominee. A vote of the whole House would then follow, requiring a majority of the chamber to back the new pick.

Reps. Steve Scalise of Louisiana and Jim Jordan of Ohio are running for the open position, with each saying they are the best person to unite a fractured party. In a twist, McCarthy, who said last week he wouldn’t join the race to win back his job, didn’t rule out the idea at a press conference earlier in the day, and some members said he was still their top pick.

Raising the stakes for Republicans in quickly coalescing behind a speaker is the fighting

between Hamas and Israel. Several Republican lawmakers said they wanted to send more military aid to Israel following the attacks by militants this weekend. But the House can’t do that, or pass a resolution underscoring U.S. solidarity with Israel, without first electing a speaker.

Some lawmakers who emerged from Monday’s meeting over a barbecue dinner raised doubts that the party will be able to rally behind any one candidate in time for the scheduled Republican conference vote on Wednesday, raising the specter of another drawn-out speaker fight.

“This is a hard conference to lead,” said Rep. Steve Womack (R., Ark.), who is supporting

Scalise. “There’s a lot of free agents in there—a lot of people who are just not going to forfeit their individual voting card, and I understand that.”

“There’s quite a few members in there that said they’re not ready to move forward to elect a speaker,” said Rep. Marjorie Taylor Greene (R., Ga.), who hasn’t picked a candidate yet.

Lawmakers had different reads on the gathering. Rep. Brian Mast (R., Fla.) said the meeting gave lawmakers an opportunity to “get stuff off their chest” and move forward. “Sometimes just like in any family you have to air your grievances,” he said.

—Kristina Peterson contributed to this article.

Ex-Rebel Now Wants to Run the House

By KRISTINA PETERSON

WASHINGTON—For years, Rep. Jim Jordan (R., Ohio) was a hard-right thorn in the side of House GOP leaders. Now he’s touting his ability to wrangle the Republican Party’s rebels as he vies to become House speaker himself.

Jordan, 59 years old, faces House Majority Leader Steve Scalise (R., La.) in the sprint to elect a new speaker after Rep. Kevin McCarthy (R., Calif.) was ousted from the post last week. Neither candidate has emerged as the clear front-runner, and the race was further complicated by the weekend’s attacks against Israel, which ignited calls from some centrist Republicans to reinstate McCarthy—and McCarthy declining to rule out the idea.

Jordan has picked up early endorsements, including from former President Donald Trump, and his supporters say he is best positioned to bring together the warring factions of the House GOP. Lawmakers said



Rep. Jim Jordan was once a tormentor of House GOP leaders and challenged McCarthy to lead the party in 2018.

they are eager to avoid a repeat of January, when it took McCarthy 15 ballots over four days to get elected as speaker.

“The members that were not helpful on the first 15 rounds, I think they would have a tendency to support Jim,” said Rep. Mike Carey, a fellow Ohio Republican backing Jordan for speaker.

Republicans plan a candidate forum on Tuesday and a confer-

ence vote as soon as Wednesday morning to pick their nominee.

Jordan’s run underscores the shift in the GOP in recent decades. Once seen as the primary instigator of the party’s hard-line flank, Jordan in recent years reached a detente with McCarthy, who worked to bring his wing of the House GOP into the fold, including by supporting Jordan’s ascent to chairman of the Judiciary

Committee.

Jordan, like Scalise, voted last week to keep McCarthy in office, but he has since argued that his conservative credentials have positioned him to win over the eight Republicans who joined with Democrats to oust the former speaker last week. Many of those members remain uncommitted, with ringleader Rep. Matt Gaetz (R., Fla.) saying he would back either Jordan or Scalise.

While having strong appeal for some conservatives, the Judiciary Committee chairman may be less palatable for more centrist Republicans

Jordan in 2015 co-founded the House Freedom Caucus, a band of hard-liners willing to sink legislation they viewed as insufficiently conservative. Once a tormentor of House GOP leaders—former House Speaker John Boehner called him a “legislative terrorist”—Jordan unsuccessfully challenged McCarthy to lead the party in 2018. But they later developed a good working relationship.

Pro-Ukraine Senators Seek Yearlong Aid

By LINDSAY WISE

WASHINGTON—Pro-Ukraine senators from both parties, unnerved by the upheaval in the House, say they want to move quickly to pass a yearlong aid package for the war-torn country that far exceeds the amount of aid requested by President Biden in August and would last through the 2024 election.

Biden requested \$24 billion in additional aid in August, drawing opposition from many Republicans who have grown wary of further funding for the war. Now, supporters of Ukraine in the Senate are aiming to offer a much bigger and longer-term package—with a price tag between \$50 billion and \$100 billion.

Many Pro-Ukraine senators say that passing a large package sufficient to carry Ukraine through the next U.S. election would send a strong message abroad that the chaos in the House won’t affect America’s long-term commitment to Ukraine as it struggles to push out invading Russian forces. Proponents also say it would be easier to win support for one big package versus several

smaller packages, especially from Republicans under pressure from their party’s voters to oppose further spending on the war.

“I want to be one and done,” said Sen. Lindsey Graham (R., S.C.). “I want to get them through next fighting season, through next year, so the Russians would realize this gets worse for them, not better.”

But any future aid package is expected to meet resistance from the expanding ranks of Republicans who oppose pumping billions more into an overseas war effort.

The ouster of Kevin McCarthy as House speaker further imperils future Ukraine funding. Even if the new speaker supports Ukraine aid, with a historically narrow margin of 221-212 he could lose no more than four GOP votes to advance most legislation, if all House Democrats vote no. Seeking help from Democrats to advance a bipartisan bill that included Ukraine aid could result in a motion to vacate the chair—the resolution that brought down McCarthy.

The uncertainty over whether Ukraine’s largest donor will continue to fund the

war in the same way has rattled European allies that take their cues from Washington.

The U.S. Congress has approved more than \$100 billion in military, economic and humanitarian assistance since the start of Russia’s invasion—funding that European countries would struggle to match if the U.S. scaled back.

Pro-Ukraine senators said new aid would need to move sometime between when the Senate returns from recess next Monday and when the current stopgap spending bill is set to expire on Nov. 17.

“A lot of us feel like there is some logic there: Rather than try to do this in small bites that may get harder and harder and harder, let’s just be candid with people about what the longer term need is and see if we can do it,” said Sen. Tim Kaine (D., Va.). “We do think we’ve got the votes in both houses to do it.”

At least some Republicans

in the House favor this approach. Rep. Michael McCaul of Texas, the top Republican in the House Foreign Affairs Committee, said he and others who support Ukraine had told White House national security adviser Jake Sullivan that they thought a year of funding would make more sense, “to give the Ukrainians a sense of confidence, but also from a political standpoint not to take

this vote every three months.” The path for a Ukraine aid package is smoother in the Senate than in the House. Over the summer, 71 senators had voted to defeat an amendment to the annual defense-policy bill that would have limited the delivery of Ukraine aid until North Atlantic Treaty Organization allies deliver on the alliance’s agreement to invest at least 2% of their gross domestic product to military spending.

—Michelle Hackman and Vivian Salama contributed to this article.

“I want to get them through next fighting season,” said Sen. Graham.

RFK Jr. Shifts to Running As Independent in '24 Race

By CATHERINE LUCEY

Robert F. Kennedy Jr. ended his long-shot Democratic presidential bid Monday, announcing plans to run as an independent, which could make him a spoiler in a general election face-off between President Biden and former President Donald Trump. Still unclear: who he could pull support from.

A recent Wall Street Journal Poll found that Kennedy, the scion of the most storied family in Democratic politics, is favored more by Republicans than Democrats, with 48% of Republicans giving him favorable reviews compared with 21% of Democrats.

The 69-year-old environmental lawyer made the announcement in Philadelphia, declaring: “We declare independence from the two political parties and the corrupt interests that dominate them and the entire rigged system.”

Academic and activist Cornel West said last week he would run as an independent. No Labels, a centrist group that has ties to West Virginia Sen. Joe Manchin, is considering a moderate presidential ticket.

During his campaign, Kennedy has sought to emphasize his family legacy but also has peddled conspiracy theories and has been accused of antisemitism and racism. He has aired a variety of claims that have been debunked by public-health experts, such as linking child vaccines to autism and casting doubt on the safety of Covid-19 vaccines. On other topics, he has questioned whether Wi-Fi exposure leads to cancer.

Independent presidential candidates must request to be placed on the ballot in all 50 states and the District of Columbia, and many states require an extensive signature-gathering operation to qualify.

Biden’s advisers have been dismissive of the potential impact of a third-party challenge, saying most voters will make a binary choice between Biden and Trump. But the advisers are mindful that any shift in votes in a small set of battleground states could affect the outcome of the election.

Trump campaign spokesman Steven Cheung said: “Voters should not be deceived by anyone who pretends to have conservative values.”

WORLD NEWS

China's Economy Tarnishes Golden Week

Weak home sales, lower spending by consumers clouds eight-day holiday

By JASON DOUGLAS

SINGAPORE—An eight-day holiday in China is usually a bumper time for home sales and tourism. This year's Golden Week, not so much.

Chinese consumers spent and traveled less during the holiday period that ended on Friday than the government had projected, figures showed, while home sales in key cities were weaker than last year.

China's economy has been struggling as its growth suffers from a prolonged downturn in the property sector and weak exports and consumer demand. There have been some recent signs of improvement. Still, economists say authorities need to do more to boost spending and



Tourists visited a section of the Great Wall in Beijing on the National Day holiday on Oct. 1.

ease strains in the real-estate sector to foster a more durable revival, especially as high interest rates in the U.S. and across the world are expected

to keep a lid on demand for Chinese exports overseas.

Travelers in China made 826 million domestic trips during an eight-day break

around China's National Day holiday, 71.3% higher than a year ago and 4.1% higher than in 2019, before the Covid-19 pandemic struck, data from

China's Ministry of Culture and Tourism showed.

The domestic tourism market booked revenue of 753.4 billion yuan, equivalent to almost \$105 billion, more than double the take from 2022's Golden Week break and 1.5% higher than in 2019, according to the data. Still, trips and revenue came in lower than expected. The ministry said it anticipated 896 million trips this year and revenue of 782.5 billion yuan.

Golden Week is usually peak season for China's property market, but this year new home sales—measured in floor space—in 35 cities were down 20% on 2022, the state-run Securities Times reported, and were also lower than in 2019.

The holiday data add to a run of figures that illustrate how, despite some signs of improvement, China's economy is still far from full health.

Business surveys in September suggested factory activity in China expanded for the first time in five months, but the

real-estate sector's woes lurched back into view with news that Hui Ka Yan, chairman of troubled developer China Evergrande Group, was under investigation for potential criminal wrongdoing and that the company owes tens of billions of dollars to lenders, contractors and suppliers.

Home sales remain under pressure despite a variety of government efforts to stimulate more activity, such as cuts to down-payment requirements on mortgages and lower interest rates.

Most economists expect growth will improve in the final quarter of the year after a weak six months. The lifting of Covid-19 restrictions around the turn of the year led to a burst of pent-up spending, but it quickly fizzled. Stimulus efforts appear to be helping stabilize growth, but many economists say more policy support is needed.

◆ Heard on the Street: No glitter during holiday.... B12

U.S., Beijing Try to Gain Upper Hand Ahead of Talks

By LINGLING WEI AND CHARLES HUTZLER

Even as the U.S. and China try to repair ties ahead of an expected summit between President Biden and Chinese leader Xi Jinping, Washington and Beijing are jockeying for the upper hand.

Each government is taking actions aimed at setting the tone in the relationship and coming into the summit in a position of strength, people familiar with recent discussions on both sides said.

As soon as the coming days, the Biden administration is expected to roll out long-awaited updates to export-control measures that would further restrict China's access to advanced semiconductors and chip-making tools, people

briefed on a draft of the updates said. Timing of the release hasn't been finalized. Beijing has objected to what it calls persistent "technology bullying" by Washington.

Meanwhile, ahead of Xi's expected trip to the U.S. in November to attend a summit of Asia-Pacific leaders and meet with Biden, the Chinese leader is planning to travel to Vietnam, people close to Beijing said. The aim is to showcase the two neighbors' close relations after Biden courted Vietnamese leaders in Hanoi in September, they said.

The efforts by both sides underscore the intensifying competition between the two world powers even as they try to improve the relationship.

"The U.S. and China are in the process of negotiating the

boundaries of their increasingly global competition," said Evan Medeiros, a former senior national-security official in the Obama administration and now a professor at Georgetown University. "They're trying to figure out where and how they can compete most effectively."

The U.S. is eager to restore communication between the countries' militaries that Beijing cut off last year and to see fairer treatment for American companies that have been subject to raids and other pressure in China. Meanwhile, China's anemic economy could be helped by better relations with the U.S. Each wants the other to back off on Taiwan; the U.S. supports the democratically ruled island, while Beijing exerts military pressure on it.

The Biden administration

defended its approach, saying talking with China is responsible and in the U.S. interest. "We have decades of experience talking to and even working with our competitors when our interests call for it," a senior administration official said.

"China firmly opposes the U.S.'s overstretching of the national security concept and abuse of export control measures to wantonly hobble Chinese enterprises," the Chinese Embassy in Washington said.

On Monday in Beijing, Xi told U.S. Senate Majority Leader Chuck Schumer and a visiting Senate delegation that he has every reason to pursue stable relations with the U.S. Schumer in turn said the U.S. wants stability and fairness in its relationship with China.

China's Foreign Ministry on Monday toughened its statement on the Hamas attacks on Israel after drawing criticism from Schumer, but still didn't mention Hamas.

Increasingly at the core of the U.S.-China competition is the race over high-end technology. Export restrictions put in place a year ago, including on the sale of cutting-edge semiconductors to China and the tools to make them as well as on U.S. nationals working with Chinese chip makers, strike at Xi's ambitions to turn China into a global powerhouse for high tech.

Washington has been working to close some loopholes in the restrictions that have allowed U.S. companies to keep selling to their Chinese customers.

Some officials have argued that publishing the updated rules or taking other actions might prompt Xi to cancel, setting back months of effort to stabilize ties that have seen a stream of Biden cabinet members travel to Beijing. U.S. officials worry that tensions could spiral into conflict, particularly over Taiwan, and allies—many of whom count China as a top trading partner—have urged the administration to steady ties with Beijing.

In recent days, however, the administration has decided to press ahead with the export-control updates and other actions to set the tone in relations with Beijing and show that it isn't pulling any punches in advance of a summit, the people familiar with the discussions said.

Tax Refund Processor Downshifts

Continued from Page One according to the IRS, about triple early estimates.

Innovation Refunds has processed more than \$6 billion in ERC claims, for which it could earn about \$1.5 billion in fees. Some accountants who have seen its work question the quality of its analysis. Fewer than 10 Innovation Refunds clients have told the company that their ERC claims are currently under audit, Makler said, and the company stands behind its work.

Makler, 56 years old, is an entrepreneur who relishes the spotlight and appears in some of his company's ads. Before Innovation Refunds, he was co-founder and president of Rich Uncles, an early entrant into real-estate crowdfunding.

In 2019, the Securities and Exchange Commission said the business acted as an unregistered broker and ordered the company to pay \$300,000. The consent decree doesn't name Makler or other individuals.

Makler said the settlement was reached after he left the company. "The SEC required the company to sell through broker-dealers; the company paid a modest fine and today that REIT trades through the NYSE," he said, referring to the successor to the business.

Innovation Refunds spent \$53 million on ads in the first half of 2023, tracking firm Vivix said. It brought on actor Ty Burrell and reality-series host Jon Taffer as endorsers. Both men are Innovation Refunds clients, the company said.

As the business boomed, the company ramped up staffing and hired offshore firms to assist with document processing. In February, the company signed a long-term lease for a downtown Miami penthouse.

The ERC offers employers a tax credit of as much as \$26,000 per employee. To get the break, businesses or non-profits typically must show a significant decline in revenue or that a government order fully or partially suspended



Howard Makler in one of his company's video ads.

their operations.

Contracts with clients state that Innovation Refunds and its representatives don't provide "any legal, tax or accounting advice." It doesn't calculate ERC refunds, farming out that task to outside lawyers.

Innovation doesn't collect money upfront; it typically receives 25% of the refund amount. In December 2022, it celebrated reaching \$2 billion in ERC claims that year, a tally that has since surged.

The IRS advises employers to beware of ERC promoters who charge big upfront fees or collect a percentage of refunds. Makler said his fee structure makes sense for small-business owners that often can't afford a big payment upfront.

The company struck deals with community banks, credit unions and other partners who got up to 8% of Innovation's fee for referrals. Banking associations and other trade groups earned a commission of up to 2% on referrals made by their members.

To fund growth, Makler raised about \$300 million by selling receivables—fees his firm gets once the IRS issues refund checks—to Raistone, a finance company that bundles them for sale to institutional investors. "By working with Raistone, the company saw its gross revenue surge a staggering 650% from Q4 2021 to Q2 2022," Raistone said in a case study about Innovation Refunds posted on its website.

Raistone Chief Executive Dave Skirzenski said his company supports the IRS crackdown. "We no more want to be a victim of misinterpretation of the rules or fraud than anybody else," he said.

Makler said the work that Innovation Refunds does is analogous to loan processing, and the attorneys it works with receive a flat fee per file. "The model didn't compensate them more for the outcome of the work," Makler said.

Carrier-Robins, one of Innovation Refunds' partners, was founded to work on the ERC. David Carrier, an estate-tax lawyer and radio talk-show host, teamed up with RJon Robins, an attorney who provides advice on managing small law firms. The pair invited attorneys using Robins's coaching service to help out.

"You are all going to make a lot of money on this. I'm going to make a lot of money on this," Robins told attendees at a session explaining the ERC opportunity, according to a recording reviewed by The Wall Street Journal. The attorneys' job: Create a narrative justifying the ERC claim and get qualified customers to sign needed paperwork.

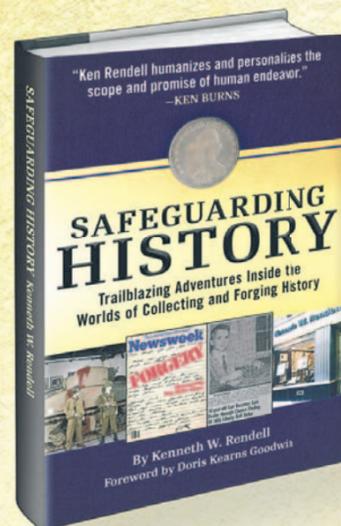
Carrier-Robins isn't a law firm, according to its website; it offers ERC tax-preparation services. Innovation pays Carrier-Robins \$6,500 a client, up from \$5,000 when the program started, said Carrier.

The firm provides what the IRS calls "unregulated professional services," Carrier said. "Attorneys are good at asking questions. We develop a narrative; also researching the government orders."

The lawyers aren't obligated to defend claims they created. "We haven't committed to being hired to do audit defense," Carrier said.

Makler said his company will cover legal costs if customers are audited.

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—TOM HANKS

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WORLD NEWS

Government Prepared for Wrong War

Continued from Page One meant the leaders of Hamas, designated a terrorist organization by the U.S., Europe and Israel, had no interest in launching the kind of cross-border attack it staged.

At the same time, as the weekend's events showed, Hamas has become more sophisticated. Saturday's assault used a combination of missiles, naval vessels, drones and armed fighters who reached as far as the city of Ofakim, more than 20 miles inside Israel.

"Israel has suffered a strategic surprise, despite all its sophisticated high-tech, weaponry, spyware and world-renowned intelligence agency," said Daniel Levy, a former Israeli peace negotiator with the Palestinians and president of U.S./Middle East Project, which works to resolve the Israel-Palestinian conflict. "Israel cannot keep its people safe anymore—and that will be hard to recover from."

A spokesperson for the Israeli military said the armed forces are focused on prevailing in the current conflict and that they would talk about the run-up to the Hamas cross-border attack once the fighting is over.

While Israel has long focused on gaining a technological advantage over its enemies—it is widely believed to have first developed nuclear weapons in the 1960s—the military has accelerated a shift toward advanced air, defense and intelligence systems over the past two decades.

For the Israeli army, the 2006 war with Hezbollah, where it fought guerrilla fighters on the rocky hills of southern Lebanon, illustrated the limits of superior bombs and artillery in counterinsurgency battles, similar to the U.S. experience in Afghanistan and Iraq.

Israel's leadership began to believe the main threats to security were no longer ground invasions like the country saw in previous wars with Arab nations such as Egypt and Jordan—with which it signed peace treaties—but unconventional threats from rockets and insurgent attacks by nonstate groups such as Hezbollah and Hamas, according to Jager.

To that end, the military invested in intelligence, cyber and defensive capabilities to deal with the threat from Hezbollah and Hamas and blunt the risks of a growing missile arsenal in Iran. It deployed Iron Dome rockets, and invested in developing other systems to tackle longer-range missiles.

In 2015, the military began working on a revamp plan that would cut combat troops and reservists, according to Jager, who has published a study on the transformation. The number of noncommissioned officers was cut by 10% to 40,000 and the length of conscripted service for men was shortened by four months to 32 months.

A spokesman for Benny Gantz, a former defense minister for Israel who is currently a member of the country's parliament and the leader of the National Unity party, declined to comment.

"At the end of the day, you have to decide: do you invest in technology or not," said Yaakov Amidror, who served as Prime Minister Benjamin Netanyahu's national security adviser. "Investing in technology means less money for other issues." Subsequent heads of the military took up the baton of shifting it to become nimbler and more technologically focused.

"We are talking about a longstanding process where the ground forces of the IDF were weakened," said Kobi Michael, a senior researcher at the Institute for National Security Studies in Tel Aviv.

As the Israeli military went higher-tech, Hamas and Hezbollah, which has fought for a decade in the Syrian civil war, began to operate more like conventional military foes. Hamas, in control of the Gaza Strip for more than a decade, built a warren of underground bases as a command-and-control center for a future conflict, and became more accurate in firing rockets on Israel.

—Dov Lieber and Stephen Kalin contributed to this article.



A Palestinian man on Monday sat on the rubble of a building destroyed during Israeli strikes on the city of Rafah in the southern Gaza Strip.



Mourners grieved at the military cemetery in Tel Aviv. Above right, Palestinians prayed over the bodies of people killed during an airstrike on the Gaza Strip.



Smoke billowed from Gaza City buildings during an attack. At right, responders inspected the site of a rocket attack in the southern Israeli city of Ashdod.



Israel Plans Gaza Strip Ground War

Continued from Page One

A U.S. aircraft carrier strike force is due to arrive in the Eastern Mediterranean on Tuesday, a deployment a defense official described as "a deterrent signal to Iran, Lebanese Hezbollah, and any other proxy across the region" who were weighing joining the conflict.

"Those adversaries should think twice," the official said. Israeli sniper teams honed their aim on hillsides overlooking Hamas-controlled territory amid the constant buzz of Israeli drones flying overhead. Missiles destroyed Palestinian buildings on the horizon, while Hamas rockets slammed into Israeli towns still reeling from Saturday's attack.

"We are ready, we are waiting," said David Ohayon, a 34-year-old Israeli army paramedic, as tanks and armored personnel carriers rumbled into position nearby. "We are ready to go in 10 minutes if asked."

For Ohayon, the fight is personal: On Saturday, he found the body of a friend from Jerusalem among those killed by Hamas fighters at a desert dance party.

"We are going to deliver a heavy blow that they will remember for many years," he said. "I hope they will receive one hell of a shock."

The Israeli military launched a wave of attacks on Gaza after retaking control of towns in the country's south from Hamas, as the war between Israeli forces and Islamist militants backed by Iran entered

its third day. Israeli Defense Minister Yoav Gallant ordered a full siege of Gaza, which has faced years of restrictions on the movement of goods and people.

"There will be no electricity, food or fuel," he said.

Prime Minister Benjamin Netanyahu of Israel in a televised address late Monday said he had ordered the Israel Defense Forces to prepare for a mass offensive against Hamas at an intensity that has never been seen before.

"The horrors that Hamas has committed have not been witnessed since the hours of ISIS," Netanyahu said, referring to Islamic State's rapid expansion across Syria and Iraq. "What we will do to our enemies in the next few days will

reverberate for generations."

At least 900 Israelis were killed during the weekend assault, state broadcaster Kan reported. Israeli volunteer rescue organization Zaka said Monday night it had discovered at least 108 bodies in one kibbutz alone. Dozens more Israelis have been abducted and taken across the border. Netanyahu vowed that the Israeli government would do everything it could for them.

Palestinian officials said on Monday that 687 people in Gaza have been reported dead and 3,726 injured as Israeli shelling escalates.

Late Monday, Hamas military spokesman Abu Obeida threatened to execute a civilian Israeli hostage for every unannounced strike against a

Palestinian home and to broadcast the executions. "The enemy does not understand the language of humanity and morals, so we will address him in the language he knows."

Tanks and troops surged south toward Gaza over the weekend to regain control of Israeli towns and evacuate civilians, while 100,000 reservists amassed nearby.

The military has said it is awaiting government orders over a possible invasion aimed at incapacitating Hamas, which the U.S. designates as a terrorist organization.

"We are now conducting waves of powerful attacks," military spokesman Daniel Hagari said, with dozens of aircraft hitting Gaza, an area twice the size of Washington, D.C., with a population of two million.

Israeli soldiers and police officers were still battling small pockets of Hamas militants on Monday, some hiding out in towns near the Gaza border, including Sderot. Smoke rose from the smoldering rubble of the city police station, where Israeli security forces had used a bulldozer to raze the building over the weekend and kill a small group of Palestinian fighters.

"The city has been cleared of terrorists," said one Israeli soldier standing guard outside a small market in Sderot, a half-mile from the border. Minutes later, a woman's voice came over a loudspeaker: "Red alert. Red alert."

Rocket after rocket fired from Hamas positions slammed into parking lots, roads and buildings.

One Hamas rocket hit a car, setting it ablaze. Another landed where Israeli soldiers stood watch in front of a mini-mart. A third sent up a curling black plume of smoke from a nearby home.

"They should end Hamas," said Shlomo Aragon, a 50-year-old Sderot resident, before he rushed for what little cover he could find.

He said dozens were killed in Sderot, including friends and neighbors. Many residents have fled, along with thousands of others from nearby communities that have been asked to evacuate as the Israeli military prepares for an expected ground assault on Hamas fighters in Gaza.

The streets are still littered with wreckage from Saturday's attack.

Meanwhile, the White House said at least 11 U.S. citizens had been killed in the conflict, with other citizens unaccounted for.

Large plumes of gray smoke rose from residential areas in several cities and refugee camps across Gaza.

A Hamas spokesman said hundreds of Israeli airstrikes had struck residential towers, civilian facilities and mosques. Tens of thousands of residents have fled their homes, but found nowhere safe to go.

"The Israelis have said the rules have changed, and I think their goal is to destroy Hamas and then come what may afterward," said Steven Cook, a Middle East expert at the Council on Foreign Relations think tank.

—Anas Baba, Fatima AbdulKarim, Jared Malsin, Anat Peled, Chao Deng, Summer Said, Shayndi Raice, Benoit Faucon and Gordon Lubold contributed to this article.



Watch a Video

Scan this code for a video on Israel's strikes on Gaza after Hamas's attacks.

WORLD NEWS

Chevron to Shut Gas Platform

U.S. oil major has been trying to make inroads in Eastern Mediterranean

By COLLIN EATON

Israel has ordered **Chevron** to shut down natural-gas production at one of the two major offshore platforms it operates in the Eastern Mediterranean Sea, the oil company said Monday.

The closing of the Tamar platform is expected to make only a small dent in Chevron's profits, offset by a surge in oil prices since the fighting began over the weekend. But it highlights the risks for the U.S. oil major that has been striving to make more inroads in the gas-rich region, which has long been troubled by conflicts that have delayed energy investments.

Chevron inherited operatorship of Israel's Tamar and Leviathan gas fields in its \$5 billion purchase of Noble Energy in 2020, and has worked to expand into Egypt and Cyprus.

It is weighing using underused plants in Egypt or floating facilities to liquefy more of the leftover gas Israel doesn't use and ship it to European markets while supplies from Russia languish at low levels. Regional unrest could complicate or slow its various investment plans, analysts said.

"It implicitly assumes there's a gradual movement toward peace in the region," said Ed Chow, a former Chevron executive and senior associate at the Center for Strategic and International Studies, a think tank in Washington. "Now that's in jeopardy."

Chevron Chief Executive Mike Wirth recently told investors the company is working to tie together gas-producing assets and an exploration



The Tamar platform, seen in 2015, is within the range of rockets fired from the Gaza Strip.

play to create a competitive advantage in the region. It is expanding and optimizing its Israeli gas platforms, and recently found sufficient gas in an appraisal well off Cyprus.

But if Chevron finds difficulties marketing Israel's natural gas to neighboring countries or loses access to liquefaction facilities in Egypt, it could slow further investments there, said Jim Krane, an energy specialist at Rice University's Baker Institute for Public Policy in Houston. "Right now, we have no idea where this conflict is going," Krane said. "That would call for some circumspection and call for some pause on investment."

The Tamar platform is about 15 miles off Ashkelon, an Israeli coastal city, and within range of rockets fired

from Gaza. Israel's energy ministry said it could rely on alternative fuels.

The Leviathan platform, the other major offshore gas facility Chevron operates, continues to send gas to Israel and elsewhere for export, the company said.

"Chevron is focused on the safe and reliable supply of natural gas for the benefit of the Israeli domestic market and our regional customers," the company said.

If the conflict persists for long, the loss of the Tamar field would slow Chevron's efforts to expand exports from Egypt into Europe, analysts said. It had hoped to increase shipments

The disruption of Russian gas supplies to Europe gave Chevron and others including Exxon Mobil and ENI an open-

ing to develop gas fields in the Eastern Mediterranean and countries such as Algeria. Chevron and Exxon have tried to negotiate deals to drill in Algeria's gas-rich fields, The Wall Street Journal has reported.

Chevron's Tamar platform typically produces about 1 billion cubic feet a day of natural gas into Israel's domestic market and elsewhere for exports. The figure is a fraction of the world's natural-gas market, says Andy Lipow, an oil and gas analyst in Houston. It is also about half the size of the Freeport LNG export terminal in the Gulf Coast, which went offline for months after an explosion at the plant last year. The outage sent domestic prices hurtling down because it removed an outlet for U.S. shale gas.

Biggest Oil Port In Israel Has Been Closed to Tankers

Israel's biggest oil-importing port closed to tankers and some shipowners hesitated about calling at the country's other harbors, posing a challenge to the country's economy.

By Joe Wallace, Jared Malsin and Laurence Norman

Port agents at the southern city of Ashkelon have told tanker operators they must wait offshore, said a shipping executive whose boat had been set to arrive there. Videos shared on social media by Israeli news organizations have showed smoke rising from buildings in Ashkelon.

An oil trader active in the Israeli market and a London-based ship broker confirmed that Ashkelon port had closed indefinitely. Haifa, which accounts for about a fifth of Israel's petroleum imports remains open.

Brokers said many shipowners were reluctant for their vessels to sail into Israeli or Lebanese waters for fear of getting caught up in the fighting. Insurance rates for tankers operating in the region are likely to rise substantially, an insurance executive said.

The Ashkelon Port Authority couldn't be reached for comment. Normally, about three-quarters of Israel's seaborne petroleum imports arrive at the port, which sits just north of Gaza.

It isn't unusual for the region's shipping markets to freeze when violence erupts, according to market participants. But the particularly severe nature of the conflict could mean that they seize up for longer this time.

Israel produces a lot of natural gas but no oil. It depends on imports of crude, mostly from Turkey, Russia and Gabon, according to S&P Global Commodities at Sea. Israel refines that crude into fuels at two plants, or imports refined products directly.

Combined, the country imports about 350,000 barrels of petroleum daily, accounting for less than half a percent of the oil consumed globally.

Meanwhile, the European Union said it is suspending its development aid to Palestinian institutions including the Palestinian Authority, which partially governs the West Bank.

"The scale of terror and brutality against #Israel and its people is a turning point. There can be no business as usual," said Oliver Varhelyi, the EU's Commissioner for Neighbourhood and Enlargement.

The decision is expected to be discussed by EU foreign ministers Tuesday. A couple of EU member states have opposed the move. Unaffected by the proposal is humanitarian aid, which totaled about €5 million in 2022, or about \$5.3 million, according to EU data.

Many shipowners fear sending vessels into Israeli or Lebanese waters.

who went missing after attending an all-night music festival in a remote field near the Gaza border that was overrun by militants Saturday morning, according to her mother, Ahuva Mayzel, 54.

The last call Mayzel received from her daughter was at 7:40 a.m. on Saturday and she hasn't heard from her since. She says that a father of a friend who was with her daughter at the party received an online video on Sunday morning showing the car the girls were driving with the friend's corpse hanging outside of the driver's door. Adi couldn't be seen.

Missing bodies

By the time the IDF went to pick up the bodies they were gone, likely taken into Gaza.

"I don't know what state my daughter is in. I don't know if she is alive or wounded or dead. And I don't know where she is," said Mayzel. "There are so many families like me who don't know what happened to their children and loved ones."

Shiri Bibas, 33, from Nir Oz, a kibbutz near Gaza, was kidnapped to Gaza with her two sons, Ariel, 4, and Kfir, 9 months, according to her sister, Dana Sitton, 35. A photo of Shiri holding her two red-headed boys wrapped in a white blanket while surrounded by Hamas militants in Gaza was widely shared online. Dana says she learned about the kidnapping from photos online.

Facebook livestream

When militants forced their way into Noam Elyakim's home in kibbutz Nahal Oz Saturday, they shot him in the leg, then grabbed his wife's phone and livestreamed the family being taken hostage on Facebook.

Now they appear to be among the prisoners in Gaza, according to relatives, who say they later saw footage posted by militants on social media of a limping Elyakim being marched across the border. A separate video of his two daughters, aged 15 and 8 and apparently in Gaza, also surfaced, they said.

Like many Israelis, Elyakim's loved ones are now demanding to know what Netanyahu's government is doing to get them back. "Right now I am not focused on being angry at authorities. I want the country to focus on finding everyone," said Mayan Zin, 50, Elyakim's ex-wife.

Execution Threat Adds To Crisis

Continued from Page One
raelis dead and more than 2,400 wounded.

The group, which has been designated a terrorist organization by the U.S. and the European Union, returned to Gaza after assaulting military bases and towns in southern Israel with at least 100 hostages, whose families have pressed Netanyahu to safeguard their lives as the military campaign continues.

The sheer number of abductees—and the fear that Hamas might execute some hostages and use others as human shields—leaves Netanyahu and his advisers agonizing over the next military steps, including whether to launch a ground invasion that might produce even more casualties than the shaken country has already absorbed.

The alternate course—to reach a prisoner-exchange deal with Hamas that would potentially free hundreds or even thousands of Palestinians in return for bringing the Israelis home—risks handing Hamas a propaganda victory that few Israelis are prepared to accept.

'Lose-lose situation'

"We care about our hostages, and this time they are citizens—women and children. But now is the time to fight against Hamas, and all Israelis are behind it," said Ariel Heiman, a retired Israeli brigadier general and a senior researcher at the Institute for National Security Studies, a Tel Aviv think tank. "It's a lose-lose situation—whatever is decided."

Even before the Hamas threat to begin executions, the Netanyahu government was facing pressure from its powerful far-right ministers to undertake a military operation without concessions to win the hostages' freedom beforehand. At a Cabinet meeting late Saturday, Finance Minister Bezalel Smotrich called for the Israeli army to "hit Hamas brutally and not take the matter of the captives into significant consideration."

The Hamas threat came after the Israeli military said it was going on offensive with an intensifying bombing cam-



Palestinians transported a captured Israeli civilian from Kfar Aza kibbutz into the Gaza Strip on Saturday.

'I don't know what state my daughter is in. I don't know if she is alive or wounded or dead.'

Ahuva Mayzel, whose daughter Adi went missing after attending an all-night music festival



Adi Mayzel

paign. The defense minister ordered a siege of the coastal enclave, and the military refrained from its usual practice of giving a warning ahead of airstrikes to allow civilians time to evacuate.

There are signs that Israel may be exploring a possible deal, at least to secure the release of women and children, using Egypt as an intermediary, according to Egyptian officials. But Hamas has given little indication it is prepared to negotiate unless it can secure the release of thousands of Palestinians in Israeli detention, according to the officials.

Even if a partial agreement to release some prisoners is reached, Hamas and other militant groups are unlikely to turn over the dozens of Israeli soldiers they claim to be holding.

In a country as small as Israel, the fate of even small numbers of hostages has been a source of national trauma since its founding, leading past governments to negotiate to win their release or, in

other cases, to launch audacious rescue missions that appeared to defy military logic.

In 2011, militants in Gaza released Israeli soldier Gilad Shalit after more than five years in captivity. He was freed in a swap for 1,027 Palestinians, including a senior Hamas leader in Gaza, Yahya Sinwar.

Entebbe mission

Netanyahu's brother, Jonathan, was killed leading a daring 1976 mission to free 106 Israelis at Entebbe airport in Uganda after an aircraft hijacking by Palestinian-led gunmen. All but four of the hostages and Netanyahu made it home alive. But the dispersal of the even-more-numerous hostages in Gaza makes a similar mission unlikely.

Hamas has said it is seeking the release of Palestinian prisoners in Israeli jails in exchange for the Israeli captives. Israel is holding 4,499 Palestinians for security reasons, including 183 from Gaza, ac-

ording to B'Tselem, an Israeli human-rights organization.

Hamas has said that some Israeli prisoners are being held in tunnels under Gaza used by militants and others are dispersed across the 141 square mile enclave among different militant factions.

Hamas published a photo Monday afternoon of what it claimed was a 19-year-old Israeli soldier taken as a hostage and one of four killed in Israel airstrikes in Gaza since Saturday. The claim couldn't be verified.

Nearly 124,000 Palestinians fled their homes in anticipation of a wider Israeli retaliation, with some seeking shelter in schools and emergency shelters. Streets and markets in central Gaza City were filled with the thump of Israeli shelling and the wails of ambulance sirens. Nearly a dozen dead Palestinian civilians, including children, were retrieved from one residential neighborhood. Electricity in Gaza has been reduced to less than three hours a day.



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WORK & LIFE
RACHEL FEINTZEIG

It's one thing to work long hours. It's another to surrender your free time to swirling thoughts of office predicaments and projects hanging over your head.

Many of us can't let work go. It's sinking our mental health and damaging our relationships. We need to shift the approach in our heads.

Joe Mellin thought maybe a week alone in the woods would do it. He journeyed by plane, bus and minivan to a remote pocket of Colorado for a program that coordinates solo wilderness excursions. Armed with a toothbrush, a journal and some dried split peas, the 41-year-old hunkered down to meditate and find out who he was.

Turned out, he was someone who really liked obsessing about his job.

"I was literally saying, Joe, you're in Colorado, you're off work, you're in the middle of a forest, stop thinking about work," the Washington-based tech worker recalls. By hour 36, in the quiet of his sleeping bag under the moon, he gave in. Soon he was sketching PowerPoint presentations in his journal, filling 20 pages with notes before he was finally able to let go.

Whether you're on a spiritual quest in Colorado or at the playground with your kids, internally troubleshooting next week's client pitch or entertaining revenge fantasies about a colleague, there's a cost.

"You're getting aggravated anew each time," says Guy Winch, a psychologist and author who fashioned a TED Talk on the subject.

We often think we have to fix our jobs to relieve our work stress. "You might," he says. "But fix you first."

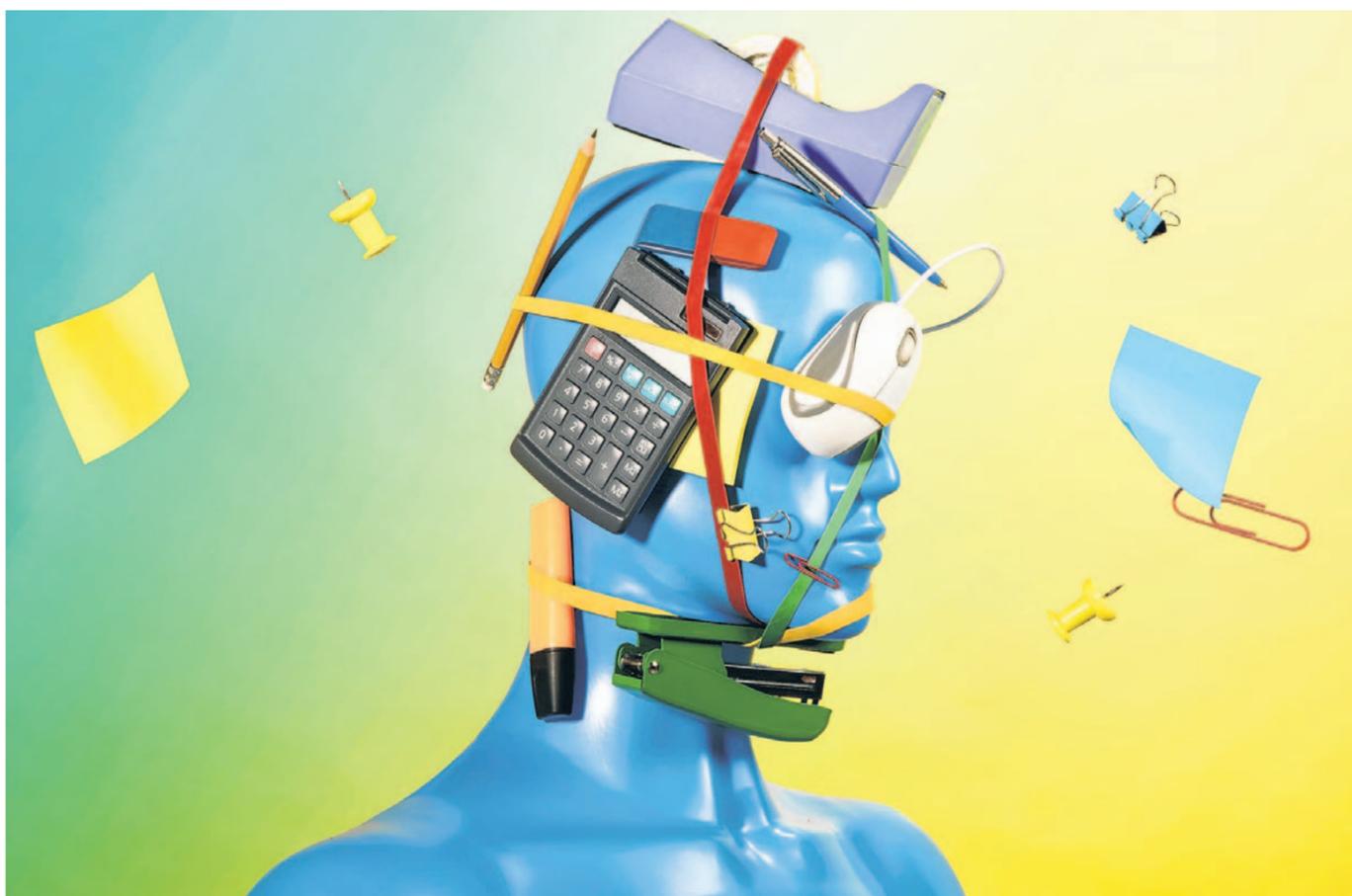
Break the cycle

Start by tracking how much time you're spending ruminating about work, Winch says. For many of his patients, that's 10 to 20 hours a week—*after-hours*. (At the office, we're generally too busy doing the job to perseverate about it, he says.)

To stop the cycle, tax your mental capacity with something more complex than Netflix or a walk. Try a memory task like naming all 50 state capitals or recalling the items in your fridge, Winch suggests. Two to three minutes is often enough for a reset.

Then, channel what you had been obsessing about into something useful. Ask yourself: What's the actual problem to be solved? If you're worried about workload, can you delegate to teammates or decline meetings?

If there's nothing to be done about the situation—some co-workers are just annoying—



How to Stop Obsessing About Work in Your Free Time

There's an emotional toll to ruminating about office predicaments

try to find the silver lining, Winch adds. Maybe this is the spark you finally need to find a new, better job. Maybe you're building skills that will help you in the future.

When you are your job

We're bombarded with emails, Slack messages and back-to-back Zoom calls during the day, so it's no wonder we can't turn off our brains when we shut the laptop. We mentally brace for pings of all

kinds, even when they're not coming.

And some of this is on us. So many employees have tied their identities to their jobs.

"They've defined their whole value this way, so it makes it that much harder to let go of things," Rebecca Zucker, an executive coach, observes of some of her clients. "Something that goes badly at work can feel annihilating."

Lauren Orcutt, a 36-year-old in

Sacramento, Calif., loves being a copywriter. Some of her friends and family don't love constantly hearing about it, she says.

"I think about it so much, it just comes out," she explains.

She's often up at 3 a.m., galvanized by an idea for a new blog post or needed by the realization she messed up an email. "I kind of felt like I was working all night" for months, she says. Her sleep suffered.

To reclaim her brain space, Orcutt started jotting down her thoughts in a lavender notebook she now keeps on the nightstand. Mistakes that are plaguing her get their own page, which she rips out in the morning.

"I am going to throw it away and move on with my life," she says. Even capturing the good ideas calms her, helping her drift back to sleep.

Reprioritize your life

Ruminating about work can make it hard to fall and stay asleep, and damage our mood and mental health, says Verena C. Haun, a professor at the Julius Maximilian University in Würzburg, Germany, who studies psychological detachment from work. Depleted, we of-

Joe Mellin found that days alone in the wilderness of Colorado failed to quell his thoughts about work.

ten perform worse at work the next day.

She suggests marking the transition from work with a simple ritual, like washing out your coffee cup or changing clothes. Find a hobby, or three, that make you truly forget about work while you're doing them. Set a goal, say, an hour spent gardening, especially on stressful work days.

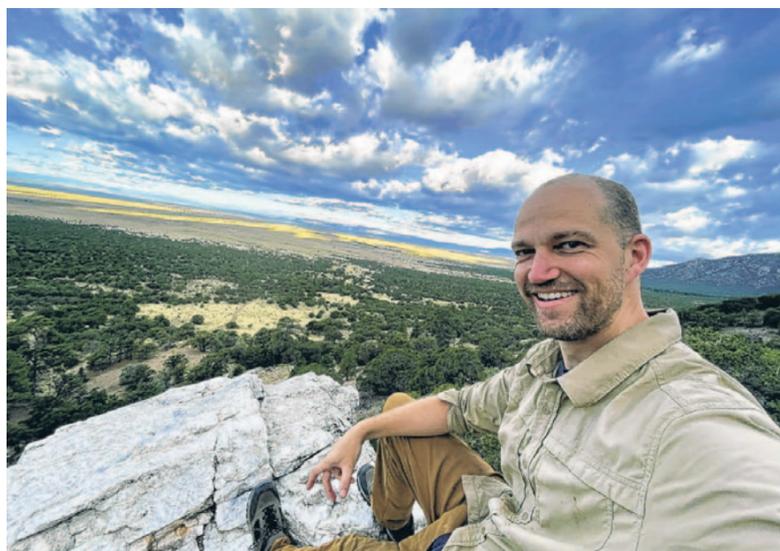
You can't think about work when you're trying not to crash a boat, Jackie Hermes, the chief executive of a marketing firm, says she discovered. When the onset of the pandemic caused her business's revenue to drop 40%, she rethought her relationship, once all-consuming, with her job.

"Is this really what I'm dedicating my entire life to?" she asked herself.

She doesn't work fewer hours now, but she has changed how she thinks about work, allowing herself more flexibility and trying new things in her personal life. During the day, she'll sometimes pop into the boating club she recently joined or catch a Milwaukee Brewers game at the ballpark.

"Work isn't the only priority anymore," she says, noting that so much about our jobs is out of our control anyway.

Now she tells herself, "I'm not behind. It's always going to get done."



Buyers Still Have Some Room to Negotiate

By VERONICA DAGHER

Home buyers face steep costs and few options as mortgage rates push 8% and new listings remain scarce. The good news is they may have more leverage than they realize.

Lenders have to compete for business as high rates have scared off many potential buyers, so they may be willing to reduce some fees. On top of shopping around for the best rate, there are also a handful of extras that buyers can ask sellers for to reduce their closing costs and monthly payments.

Sellers are more receptive to certain requests than they were during the height of the pandemic-fueled housing frenzy, since they don't want to risk losing the deal. In August, nearly 16% of pending home sales nationwide fell through as buyers got cold feet, compared with about 11.7% in August 2021, according to Redfin.

A buyer's power to negotiate largely depends on how much competition there is for the house. Here are three things to consider asking from the seller.

Help with closing costs

Consider asking the seller for a credit to use toward closing costs, real-estate agents say.

Ruthie Ravenel, a real-estate agent in Charleston, S.C., recently worked with buyers who initially planned to offer the \$950,000 asking price a local seller was seeking. The buyers, who were short on cash, wanted help with some of the closing costs.

Ravenel advised the buyer to offer \$965,000 and then ask the seller for a closing cost credit of \$15,000. The sellers were motivated to do this because they wanted the deal to go through, and the amount they would walk away with would ultimately be the same.

In the end, the buyers financed the \$15,000 into their mortgage over 30 years instead of having to come up with that money in cash. It increased their monthly payments, but they were able to close the deal.

Get a rate buy-down on your mortgage

More lenders, sellers and home builders are offering to help lower a buyer's mortgage interest rate for a



certain period, a move known as a rate buy-down, according to real-estate agents.

A seller could offer to permanently buy down a buyer's mortgage rate. The permanent version of a rate buy-down involves buying mortgage discount points at closing.

Each point typically costs 1% of the loan amount and is worth a 0.25 percentage point reduction in the rate, said Ted Rossman, a consumer-spending analyst at Bank-

rate.com. Right now, the average 30-year fixed mortgage rate is 7.80%, according Bankrate.com.

Take a \$300,000 loan at 7.80%. If the seller buys two points, that costs \$6,000 and lowers the buyer's interest rate to 7.30%, said Rossman. That would lower the monthly principal and interest payment from \$2,159 to \$2,056 (a saving of \$103 a month and \$37,080 over 30 years), he said.

Realize that the permanent rate

buy-down could lose its luster if rates fall in the future and you end up refinancing.

Some lenders also offer the chance to refinance the mortgage in the future at no cost—but these offers vary, so it pays to check the fine print.

Fixing up the house

Sellers are more receptive to making repairs than they were about two years ago, real-estate agents say.

Emily Piggott recently bought a three-bedroom home in Raeford, N.C., for about \$265,000. She had agreed to the seller's request to stay in the house for a few weeks after the closing. In return, she asked the seller to have the house—including the septic tank—cleaned out and the lawn mowed for her move-in day. The seller agreed, and the deal went through.

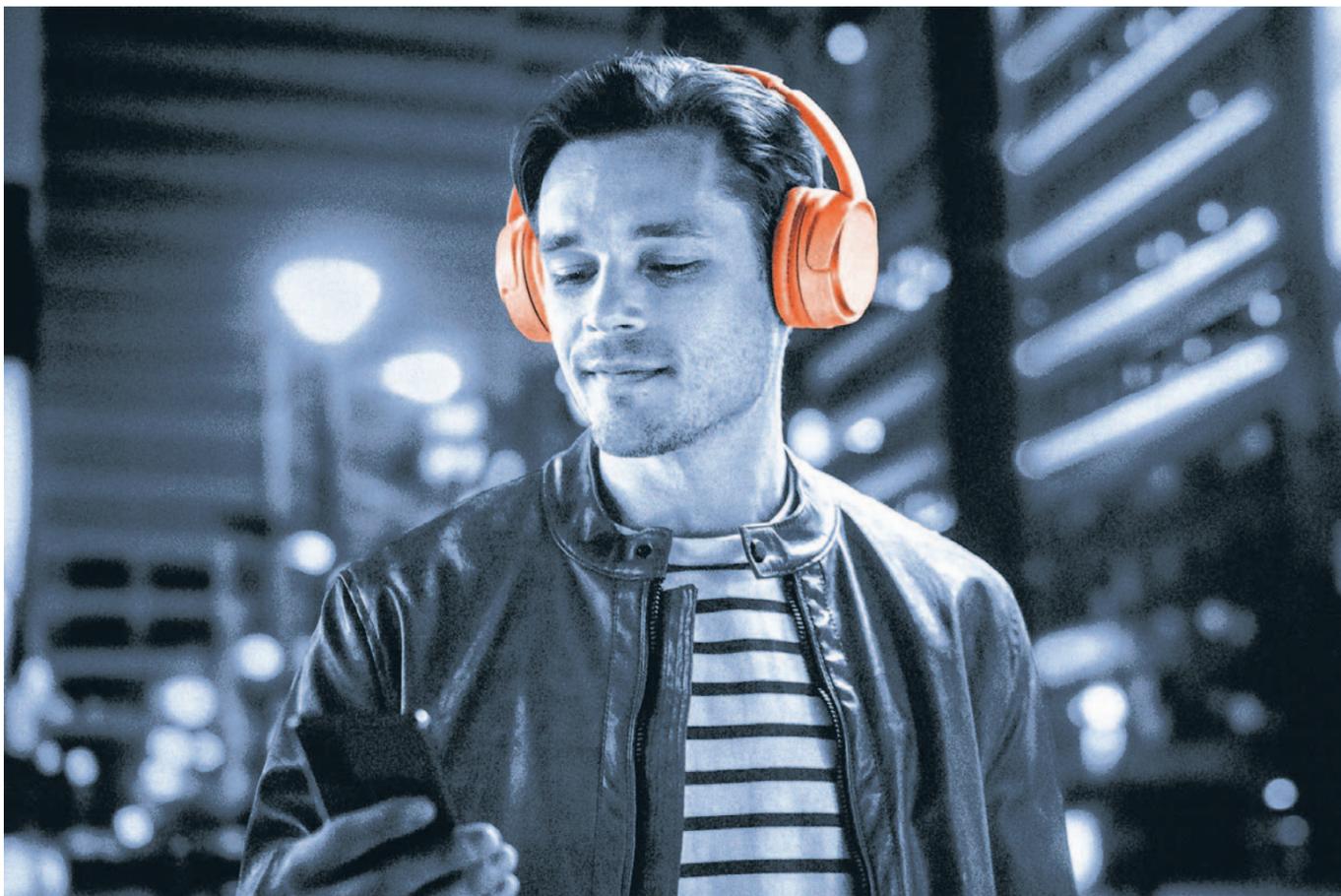
Gerard Splendor, a real-estate agent in New York City, is working on a sale now where the seller is cutting the price by \$30,000 because the windows are leaking. The co-op will replace windows but not immediately, and the seller wants to close in December.

It pays for buyers to ask politely, real-estate agents add.

PERSONAL JOURNAL.

Push Pause on the Mute Button

Some people are rethinking their relationships with noise-cancellation technologies



By CORDILIA JAMES

Does the noise-canceling technology in millions of headphones and earbuds save us from annoying distractions, or does it close us off from the world?

Headphones that block sounds around us keep getting more popular. People no longer have to buy bulky over-the-ear models to get noise cancellation but can find it in tiny earbuds such as Apple's AirPods Pro. Typically, all users need to do is press a button to mute or unmute their surroundings.

The global market for noise-canceling headphones should more than triple to \$45.4 billion by 2031, according to data from Allied Market Research, a global market research firm.

Concerns about safety, connection and serendipity are prompting some people to rethink how much they use noise-canceling features. And researchers say we lose a lot when we block out everything from the sound of our co-workers' clacking keyboards to the cooing of pigeons in our backyards.

The simple act of overhearing can help people understand others' mindsets and moods, get insight

about what's happening at their companies and learn other valuable skills. Hearing how a colleague talks on the phone could help a junior employee learn how to better conduct business calls, for example.

Being open to hearing others can also lead to spontaneous encounters with people outside of someone's usual social circle. Oscar Acevedo is a fan of such interactions, especially with strangers on planes. The 25-year-old spends the first half-hour of flights without headphones, just in case the people around him want to chat. Nowadays, many don't.

Acevedo spoke to a woman on a flight from New York to Columbus, Ohio, in May after he realized he was sitting on her seat belt. He was surprised to learn that she was excited to leave New York after 40 years of living there.

"It gave me something to think about on that flight," says Acevedo, a public-relations account executive in San Francisco. He has always been a city lover, but the conversation made him consider the possibility of settling down somewhere quieter when he gets older.

When people curate life's soundtrack, they might miss out on noises that could help them in the long run, says Mack Hagood, a pro-



Oscar Acevedo, above, takes his headphones off to be more open to spontaneous encounters. Faith Lew uses hers to block out others at the dog park and in the office.

fessor at Miami University and author of a book about how listening habits can change how people engage with one another.

Years ago, most of his students would chat with their peers while waiting for class to start. Now, many of them enter the classroom wearing headphones and sit next to each other in silence.

"That little bit of social anxiety that we have can be assuaged by putting these things in," Hagood



says. "But at the same time, maybe people could have dealt with the awkwardness a little bit and a friendship could have developed."

Hearing losses

It seems like everyone wears headphones in Faith Lew's New York office, says the tech-industry account executive. When she forgets her noise-canceling pair at home, it's like showing up without pants on, she says. Lew, 26, wishes she could

focus more at work without them, but doesn't think she can.

"I do find that it's like a necessity to me when it comes to work, to help me get into the mental state of working," she says.

Relying on technology to silence the world's background noises can make it harder for the brain to filter them out on its own, neurologists and behavioral scientists say. People who regularly wear noise-canceling headphones might be more easily distracted by sounds of typing and chatter on days they're not wearing buds.

It can also limit the amount of "happy accidents" both in and outside of the office, Hagood says. Opportunities to hear conversations nearby can spark ideas and bring people closer.

When to mute

Noise-canceling headphones can also block important auditory cues—not least the sound of oncoming vehicles.

Some people have been hit by trains when wearing noise-canceling headphones, including a teenager in Broome County, N.Y. Other headphone-wearers have been hit by cars.

Wade Burkholder, 31, turns off noise cancellation when crossing streets so he can hear oncoming cars, but leaves it on when he's on the sidewalk. The ease of switching the feature on and off means he doesn't have to remove his AirPods Pro to hear his surroundings.

The popularity of e-scooters on Denver's sidewalks has made him consider turning noise cancellation off more often, since he doesn't usually hear people trying to zip past him when he has it on.

Burkholder, a contract attorney, says he's reluctant to change his behavior to accommodate scofflaws.

"I like the idea that sidewalks are for people and you don't have to constantly be paying attention," he says.

Blocking out noise can make people appreciate life's background sounds more when they aren't using the feature.

Atharv Gupta, 22, bought noise-canceling headphones so he could listen to music while doing yard work outside his home in Fairfax, Va. Being more immersed in his music was nice at first, but when he turned it off, the noises of nature came flooding back: birds chirping, insects humming at dusk.

He wants to be more intentional when deciding when to use the tech at grad school this fall.

"It's just another tool to fortify the laws of that bubble that you want, and keep you even further in a comfort zone," Gupta says. "I don't know if I'll use noise canceling as much moving forward unless I know I'm in a situation where the sound is really important to me."

MY RIDE | BY A.J. BAIME

A Cross-Country Title On a Vintage Bike

Todd Cameron, 56, a mechanical engineer and owner of an RV rental business, who lives in Monrovia, Calif., on his 1909 Indian "Cannonball" motorcycle, as told to A.J. Baime.

My grandfather J.D. John Cameron raced old Harley-Davidsons. He was one of the first members of a motorcycle club called the Boozefighters, and he was at the famous 1947 Hollister, Calif., rally where bikers allegedly tore up the town. The media blew it out of proportion and turned it into the Marlon Brando movie "The Wild One." My grandfather was no hell-raiser; he was a racer and he loved racing vintage Harley-Davidsons.

When he died, I inherited a twin-cylinder 1916 Harley-Davidson. I restored and raced this bike in the

2018 Motorcycle Cannonball, a coast-to-coast race on antique bikes. I broke down and did not finish, but after that I decided I wanted to compete in the elite class and win the Cannonball. I found a 1909 Indian that would qualify in the top class, because it is a single-cylinder motorcycle with no transmission. It was a basket case when I bought it in 2019, and I started rebuilding it.

Indian started making motorcycles in 1901, two years before Harley-Davidson began. [Indian is the oldest American production motorcycle company still in existence today.] I worked on my 1909 Indian all through Covid. I raced it in the 2021 Cannonball and broke a crankshaft halfway. So I set my sights on 2023.

In my shop, I rebuilt the motor and massaged every piece that could



possibly break. Part of this race is held on mountain passes, and this Indian's motor puts out about 3½ horsepower. It has pedals, so I knew I would have to pedal up mountains. The entire year leading up to the event, I trained. I lost 25 pounds.

On Sept. 7, we started from the

pier of Virginia Beach, Va. Over 16 days—with one day off—the competitors rode about 250 miles every day. Part of the competition is navigating from city to city, hotel to hotel. Each morning, the organizers handed out a rally scroll before the start, which told us where we had to go.

The course uses almost all two-lane roads. This is the best way to see America—at 40 mph on the seat of a vintage motorcycle. Many competitors had crews to help fix the bikes. The crews could not support the riders during the day, and they had to take a different route than the riders. I had a buddy in an RV carrying spare parts. That's all the crew I had, and I slept in the RV.

It is not a race of speed exactly. The riders have to complete all the miles on time. That is a perfect score. You have to average about 40 mph. I rode with saddlebags full of tools, parts and MacGyver stuff—wire, duct tape, anything to keep the bike together. All day every day, my hands were covered in grease. It was man and machine against the miles.

Todd Cameron and his 1909 Indian won the cross-country Motorcycle Cannonball in September.

The hardest part was Monarch Pass in Colorado, with an elevation of about 11,300 feet. There is no way a bike of about 3½ horsepower can make that climb, and if you get towed, you lose miles in the competition—and your perfect score. For big hills, I devised a way to change out the bike's gearing to give it an advantage in climbing. I could stop, pull out my tools, and make the change in four minutes. The day I climbed Monarch Pass, I changed the gearing 10 times. Still, I had to do a lot of pedaling and almost didn't make it.

After 16 days and 3,800 miles, we reached the finish in Oceanside, Calif. Out of 77 riders, 30 got a perfect score, and a handicapped ruling system gave the win to the oldest bike with the smallest motor. I was stoked! My Indian won overall and was the oldest motorcycle ever to win the Cannonball. My grandfather would be proud.





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ARTS IN REVIEW

Thirteen years since the release of his debut solo album, "Thank Me Later,"

Drake continues to set records. Sure, the rapper and singer born Aubrey Graham is the most-streamed artist in the history of Spotify—a landmark to be sure—but the platform has existed for about the same amount of time as his recording career, so that's not entirely unexpected. But his popularity extends to the Billboard Hot 100, a broader metric that at least theoretically reflects the most important songs in American culture at a given moment. In August, he scored his 30th Top 5 hit, which is the most in the chart's history, surpassing the Beatles. And while the way music is marketed and consumed is vastly different in 2023 than it was in 1970, the stat nevertheless shows how thoroughly Drake dominated music in the 2010s and the 2020s.

In his ascendant era, when Drake was a critical favorite as well as a commercial one, he broke out in part because he'd developed a new kind of rap persona. Inspired in part by Kanye West, he took the genre's braggadocio and smack-talking and added a deep crease of vulnerability, mixing confidence and self-doubt with humor in a way that felt new. He embodied this complexity in his vocal delivery, as he shifted easily between the rapping he studied so diligently and his airy R&B singing. And he was "relatable," a term only starting to be applied to musical artists early in his career, among his large millennial cohort in particular.

While Drake albums don't have the same cultural impact as they did during the 2010s, they still monopolize music discussions for days after their release. Drake's eighth solo record, "For All the Dogs" (OVO/Republic), out now, is no different. But it also serves as a



Drake performing in New York earlier this year; his latest record, 'For All the Dogs,' is out now.

such tunes, his reliable flow and offhand insults retain their charm. On "First Person Shooter," which features rapper J. Cole, he talks about using a Grammy statue as a doorstop and how rappers who want to get on his record "send they verses back to me and they be terrible, just like a two-year-old" (he also gets in a dig at a woman who dares to text him from an Android phone—"her messages is lime green").

These two modes—anger and aggression directed to the women he feels have mistreated him and the haters who don't respect him—form the basis of almost every track here. And given the record's grotesque length—23 songs across an excruciatingly long 84 minutes—it's a hard album to sit with for its duration. But in

MUSIC REVIEW | MARK RICHARDSON

Creativity on a Leash

Drake's new album is a familiar extension of his increasingly tired brand



reminder of how his continued popularity has far more to do with familiarity than innovation. The rapper's 2022 album,

"Honestly, Nevermind," was a rare attempt to switch things up, as it favored club beats in place of his usual production. But "For All the Dogs" is a prototypical Drake release in every sense—to the album's detriment. Thematically, it's mostly about failed relationships, and in Drake's telling, he is never to blame. On the opening "Virginia Beach," a mournful sample of a Frank Ocean song repeats as a loop as the rapper outlines a conflict ("Our texts feelin' like a fencin' match") and then retreats to his trademark pettiness and self-aggrandizement ("I got to know a whole other you / But let's not forget how I discovered you").

On the following "Amen," a girlfriend prays for him even while in his mind she's just another momentary pleasure to be used and discarded.

It's true that such sentiments were present at the beginning of Drake's career, but he will turn 37 later this month and the lack of self-reflection and growth is starting to seem weird. And such objectionable content is easier to forgive when delivered with humor and self-awareness, which are in short supply here. The strongest tracks on "For All the Dogs" are those where Drake turns his attention away from the women who have wronged him and concentrates on rappers who would challenge him. On a handful of

spite of this being one of Drake's weakest records, his popularity is still easy to understand. For one thing, the production throughout ranges from solid to very good, with a mix of dreaminess and percussive force. But the album's greatest virtue from the perspective of his many fans is that it's an extension of a well-known brand.

In some respects, it's like being many seasons into a successful reality show: The characters and plot lines change a little but they're ultimately beside the point—the millions who tune in do so because there's something comforting about the format, even if all the specifics are interchangeable. Once you're more than an hour into "For All the Dogs," the album begins to resemble a television that's been left on in an empty room, something that fills the silence out of habit more than anything else.

Mr. Richardson is the Journal's rock and pop music critic. Follow him on Twitter @MarkRichardson.

ARTS CALENDAR

HAPPENINGS FOR THE WEEK OF OCTOBER 10

By WSJ Arts in Review Staff

Film

"Taylor Swift: The Eras Tour" (Oct. 13)

There are music stars, music icons and music legends—then there's Taylor Swift, who stands on a tier all her own. Her blockbuster tour has been popular beyond anyone's wildest dreams and is on track to gross more than \$2 billion in North America alone. Swifties who might still have bad blood after not being able to snag a ticket—or who just want to relive the love story all over again—will have the chance to do so in theaters.

also return as Lilith and Roz (and James Burrows, who directed many episodes of the original show as well as its precursor, "Cheers," is back as well); less familiar faces in the cast include Jack Cutmore-Scott and Nicholas Lyndhurst.

"Goosebumps"

(Disney+ and Hulu, Oct. 13)

Based on R.L. Stine's novels that scared a generation of children back in the '90s, this 10-episode series stars Justin Long and Rachael Harris.

Theater

"Merrily We Roll Along" (Hudson Theatre, New York,

Temple of Music and Art, Tucson, Oct. 21-22): Arizona Opera stages the world premiere of Gregg Kallor's adaptation of Mary Shelley's gothic classic.

Art

"Fashioned by Sargent" (MFA Boston, Oct. 8-Jan. 15, 2024)

John Singer Sargent's portraits won him a place in the art history books, and two of the reasons they remain so potent a century after his death are the tantalizing nature of his sitters' clothes, which he took great pains in representing, and what those choices say about the people captured by his brush. With some 50 works by Sargent displayed alongside period garments and accessories, this show explores the connections between fashion and painting in the work of an artistic icon.

Frieze London and Frieze Masters

(The Regent's Park, Oct. 11-15)

While one member of this dynamic duo of London art fairs offers a snapshot of contemporary art, the other provides a broader overview of art history. With hundreds of galleries spread across the two events exhibiting everything from Old Master paintings to of-the-moment installations, art aficionados of all stripes can find something of interest.

Last Call

New York City Ballet Fall 2023 (David H. Koch Theater, through Oct. 15)

The current season of NYCB focuses on founder George Balanchine's oeuvre, with several of his best-known works—including "Serenade" and "Orpheus"—still to be performed. Also on the agenda is the 75th-anniversary celebration, which repeats the ballets performed at the group's inaugural 1948 performance.

For additional Arts Calendar listings visit wsj.com. Write to brian.kelly@wsj.com.



Taylor Swift performing during her Eras Tour in August

"Anatomy of a Fall"

(Oct. 13)

Justine Triet's Palme d'Or-winning thriller stars Sandra Hüller as a woman who, after her husband dies under suspicious circumstances, tries to prove her innocence.

TV

"The Fall of the House of Usher" (Netflix, Oct. 12)

This eight-part series includes Edgar Allan Poe's famed tale of horror, as well as several more of his bone-chilling stories. Crafted by Mike Flanagan (a horror vet who also created "The Haunting of Hill House"), it arrives ready for peak spooky-season viewing.

"Frasier"

(Paramount+, Oct. 12; CBS, Oct. 17)

Sherry, anyone? The elitist radio shrink moves from Seattle back to Boston in this reboot with Kelsey Grammer reprising his iconic sitcom role. Bebe Neuwirth and Peri Gilpin

Oct. 10-March 24, 2024)

Maria Friedman's widely praised production of the Sondheim musical moves to Broadway—the show's first revival there since its premiere in 1981—after successful runs downtown and in London. Daniel Radcliffe, Jonathan Groff and Lindsay Mendez star as the trio of friends whose story is told in reverse chronological order.

Music

Jamila Woods, "Water Made Us" (Oct. 13)

The Chicago-based musician and poet explores the many facets of love—infatuation, commitment, loss—on her new record that spans 17 tracks and a variety of genres ranging from R&B to folk rock.

Opera

"Frankenstein" (Herberger Theater Center, Phoenix, Oct. 13-15

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12
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- 12 "Heavens to Betsy!"
- 13 Cat with a striped coat
- 18 Moistens
- 20 Put into practice, as a belief
- 24 City about 20 miles from Lake Tahoe
- 25 Deal with low stock
- 30 Filly fill
- 31 Canine holders
- 33 Accumulation of unwanted stuff
- 34 Club spread
- 35 "Eureka!"
- 36 Kol___ (Yom Kippur prayer)
- 37 Thing to hold up when you need a lift?

REDUCED FARE | By Adam Vincent

Across	27 Dozens of mos.	52 Oslo Accords grp.	3 Underhanded	38 Important animal for the Inuit
1 Pickup part	28 Genealogy chart	53 Artist's collective works	4 Super Bowl trophy namesake	41 Unit equivalent to one coulomb per second
4 The floor, in a furniture-hopping game	29 Dispensary regular, maybe	54 Some chow, and what 17-, 23-, 33- and 48-Across sound like, fittingly	5 Newbery-winning author of the "Crispin" series	42 Deposit in some banks
8 Darken, poetically	31 "Absolutely not!"	58 Dishonest type	6 Moving vehicle	44 Imposed
13 Uber alternative	32 Sums	59 Power type	7 O'Connor's successor	45 Shabbily dressed
14 Cricket field shape	33 Popular movie theater candy	60 Nail tech's service	8 Urgent bidding	46 Manual readers
15 Opposing force	37 Soapy buildup	61 Alpha rhythm readouts, briefly	9 Direction opposite WSW	49 Pens for hens
16 Côte d'___ (French Riviera)	39 EGOT winner Viola	62 Jacket material	10 Points of only return?	50 Swiss math great
17 Frosted cereal option	40 Its state song is "Home on the Range"	63 Word after time or before machine	11 Common kid's whine	55 Tiny amount
19 You might pick one up after a couple of drinks	43 Checked out	64 Hwys.		56 Unagi, from a sushi chef
21 Summer wardrobe staple	44 Simu of "Shang-Chi and the Legend of the Ten Rings"			57 Brouhaha
22 Dah's partner in telegraphy	47 Rub the wrong way	Down		
23 Veggies only available prepackaged	48 Trendy restaurant garnish	1 Market by a mosque, perhaps		
26 Defining stretch	51 One of 21 on a die	2 Areas with long commutes		

Previous Puzzle's Solution

M	A	G	S	T	A	T	S	L	A	M	A	R
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► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

SPORTS



Pro football coach is a ruthless job.

For every legend, there are hundreds of forgotten names—touted geniuses who arrived eager, promised success, ignored their families, slept on couches, ate Pringles for breakfast, and eventually found themselves locked out of the stadium. It is such a volatile occupation you can legally place a bet on the first head coach fired, and there is an entire calendar event (“Black Monday,” the first day after the regular season ends) dedicated to the ritual dismissal of NFL sideline bosses.

Sometimes, the legends meet harsh endings, too. For two decades, Bill Belichick avoided this maw. The taciturn Wesleyan graduate, aka the Grumpy Lobster Boat Captain, was the leader of the league’s greatest team, the New England Patriots. He had a Hall of Fame quarterback, Tom Brady, a supportive franchise owner, Robert Kraft, and a relentlessly successful club that considered it a bummer when they didn’t romp to a Super Bowl. The Patriots won six of them under Belichick, as he grew a deserved reputation as likely the greatest coach to ever do it.

(Belichick also reinvented the press conference, as a series of barely-audible mumbles and grunts.)

Today, nobody wants to hear the grunts—or the old superlatives. The 2023 Patriots are 1-4, at the bottom of the AFC East, somehow behind even the hapless comedy of the New York Jets. On Sunday the Patriots lost a home game 34-0 to the vigorously meh New Orleans Saints. It is the second worst loss in Belichick’s career, second only to...New England’s 38-3 loss to Dallas the weekend before.

(Yes, I am writing about a 1-4 football team. Be grateful. This could have been another column about Taylor Swift.)

It isn’t merely that these Patriots are bad—they have been thoroughly mediocre since an irked

JASON GAY

The Patriots’ Sad, Sinking Season

Will the struggling team push the Grumpy Lobster Boat Captain to motor off into the sunset?



New England Patriots coach Bill Belichick walks off the field after a 34-0 loss to the New Orleans Saints.

Brady took his helmet to Tampa after the 2019 season—it’s that they’re irrelevant. They’re bland chum, indistinct from the league’s other bland chum. The NFL always has a handful of dull teams like that—teams you see pop up on the television screen and think, *I really should go organize stuff in the garage. Or sit here in the dark with the TV off.*

It’s jarring to have New England come to this. Love them or despise them, for most of the 21st century, Patriots games were A-plus destination events. Foghorn blaring, costumed minutemen firing muskets after touchdowns, rings on the regular. Division titles

collected in a pile. Playoffs were a lock. TV adored them. Jim Nantz basically took up residency in Foxborough.

Today, you would do almost anything to avoid watching the Patriots, who have no offense, defense, plan, or joy. So beautify that garage, I say. Watch any other sporting event. Read a book to the cat.

At the wheel is Belichick, age 71, not the league’s oldest coach (that’s Seattle’s Pete Carroll) but, for the first time in New England, truly under siege. The notion of a six-time Super Bowl winner being on the “hot seat” sounds preposterous, because it is preposterous.

But as long as there are TV and radio talk shows, that’s where this conversation will be, and it will continue to grow in volume unless the Patriots stumble upon a set of supernatural crystals which turns them magically into a coherent football club.

After the Saints loss, Belichick pledged to “start all over again.”

The GLBC was asked: What does that mean?

“Starting over,” he said.

There you have it: clarity and transparency, Belichick style.

This season wasn’t supposed to be such a wreck. The Patriots rehired a former offensive coordinator, Bill O’Brien, to replace

Belichick’s daffy prior choice, his former defensive coordinator, Matt Patricia. The team’s third-year quarterback, Mac Jones, was going to benefit from an experienced hand, and the New England’s talented defense would continue to surge. New England wouldn’t challenge the Kelce-Taylor Chiefs for the Super Bowl, but...they might be OK?

They are not OK. Jones, who threw yet another pick-six interception to kick things off versus New Orleans (his third of the season), appears lost. The defense is beset by injury and made a Saints offense which hadn’t scored more than 20 points in a game look like the Air Coryell Chargers. Foxborough sounded tetchy. The bored, unused minutemen kept their powder dry.

A Patriots fan should be able to solace themselves with a generation of Brady and Belichick, along with a party cooler of Gronk. A fan of a certain age will remember: The Patriots used to be bad like this all the time. Actually, worse.

With the stubbornness and one-word answers, Belichick doesn’t make it easy. Get ready to hear all sorts of hilarious recommendations for who can save New England. By December there will be Rick Pitino rumors. Or how about Belichick resigning on a napkin as “H.C. of the N.E.P.” to coach the NYJ—followed by the universe collapsing on itself?

Even if it gets really bad—and it might—I find it hard to believe Belichick won’t weather the season and possibly more. This is where we are. Maybe the Grumpy Lobster Boat Captain gets to see his team over the next horizon. Maybe not. Pro football coach is a ruthless trade. Bill Belichick knows this as well as anyone.

Bruce Bochy Tried Coaching T-ball. The Major Leagues Were Easier.

BY LINDSEY ADLER

Baltimore

During his three-year sabbatical from managing a major-league team, Bruce Bochy found out there was a tougher gig than leading a bunch of seasoned big leaguers: coaching children.

“I was trying to help my grandson’s T-ball team, and what kind of drove me back into this was thinking ‘Man, coaching kids is hard work. I’m going back to manage Major League Baseball,’” Bochy joked earlier this season.

Life outside of the dugout didn’t come naturally for the baseball lifer. He didn’t intend to manage after resigning from his longtime job as the manager of the San Francisco Giants after the 2019 season. He, and his family, thought he was done with top-level baseball as he entered the back-half of his 60s.

Yet here he is again, back in the majors managing a Texas Rangers team that has a 2-0 lead over Orioles in the American League Division Series after a weekend sweep. The series moves to Texas on Tuesday.

“My wife asked me, ‘What is it about your life that you don’t like?’” Bochy said in June. “You wake up, you fish, you golf, you see the grandkids. But deep down she knew. It’s in my blood. I’ve been doing this all my life.”

Bochy came back to managing at the MLB level because Rangers general manager Chris Young—one of Bochy’s former players—asked him to return.

Between his departure from the Giants and his debut with the Rangers, Bochy had managed the French national baseball team and worked for the Giants in an advisory role. He didn’t actively seek another managerial job. Then, he got a call from Young.

Many conversations and hours later, Bochy agreed to manage in Texas. The grandkids got Rangers jerseys. Young, who has been on a relentless quest for legitimacy in Arlington, got his leader.

“For us, the ability to bring together a group of players was paramount,” Young said. “Those are maybe human elements that are more of an art than a science, but I think Bochy is masterful in that.”

There is a consistent throughline in Bochy’s career: He tends to get the most out of the sum of the parts he is given. He led three Giants teams to and through the World Series during his tenure in San Francisco, none of which were as good on paper as they turned out to be with Bochy’s deft leadership at the helm.

“Our goal is to create a culture that allows us to overachieve year in and year out, because that’s what the best sports organizations do,” Young said. “That doesn’t always mean you have the most talent, but what you create is an environment to get the most out of the talent you do have.”

Young has given Bochy a talented roster led by Marcus Semien and Corey Seager, with a fortified pitching staff. The roster was upgraded while a legendary manager was installed to bolster the public

and private message that the Rangers were ready to go.

Bochy’s deep expertise at the in-game elements of managing were on display as he deftly deployed his pitching staff against the Orioles in the first two games of the ALDS. He steered six pitchers to a tense 3-2 win in Baltimore in Game 1, and put his experience on display when his Game 2 starter, Jordan Montgomery, became rattled early against the Orioles. He managed to get four innings out of Montgomery while the Rangers’ potent offense gave him a substantial lead.

It wasn’t just Bochy’s ability to navigate his way through a post-season opponent that he put on display this season, but the ability to get a team through a difficult, tumultuous regular season that resulted in the Rangers losing the AL West title on the last day of a season in which they had led much of the way.

“I think a lot of credit goes to Bochy from the beginning of the season,” Game 3 starter Nathan Eovaldi said during the wild-card round. “He’s been able to prepare us for these big moments.”

The game changed significantly in the few years when Bochy tried his hand at retirement. This season has shown that his aptitude for managing hasn’t.

“I think a lot of it seems like a completely different game with analytics and everything, but some things don’t change,” Bochy said. “The fundamentals of the game: The player, the competitor, the will to win—all those things. They’re still there.”



Mookie Betts of Team USA in action during the World Baseball Classic.

L.A. Olympics Hope to Add Baseball, Cricket, Lacrosse

BY LOUISE RADNOFSKY

FOR MORE THAN A YEAR, officials from juggernaut professional sports have waged a fierce competition over who gets to be included in the 2028 Los Angeles Olympics. Organizers of the L.A. Games are recommending throwing the Games open to all of them.

LA28 said Monday that they want to include baseball and softball, cricket, flag football, lacrosse and squash in the Games—sports that promise a large number of extra viewers, and also a series of new headaches, including how to fit them all in.

The announcement comes after a long period of wrangling, as sports vying for inclusion in the Games appealed to the host city’s interests as well as those of the International Olympic Committee, and how to square them. The IOC will vote in a week, as it meets in Mumbai, on whether to give the final green light to the LA28 decision. But at this point it appears unlikely to deviate from organizers’ proposals.

The addition of so many long-roster team sports would almost certainly blow the number of athletes participating in the Games far past a cap of 10,500, thought to be set concretely as the Games seeks to curb its footprint. It will also require organizers to add a slew of new venues.

And it will further merge the world of professional sports into an Olympic movement once defined by its amateurism and events such as gymnastics, track and field and swimming, whose popularity primarily peaks during the Games.

Baseball and softball tied their fortunes together in a joint proposal that emphasized their past

successes when included in the Olympics, including in L.A. at the 1984 Games and at the delayed 2021 Tokyo Olympics.

What Major League Baseball and other big leagues around the world didn’t do was commit to making their stars available in the middle of the 2028 season. L.A. hosts were widely considered to be interested in their inclusion only with A-teams of competitors. And with baseball rosters of 24 men and softball rosters of 15 women, they will have the biggest impact on athlete numbers.

Cricket promised one billion fans of cricket in South Asia that the Olympic movement should want access to—and a potential boost in television rights revenue for the IOC specifically. It pledged an adapted format—T20 cricket—with teams of 11.

But as a sport with little to no connection with Southern California, or anywhere in the U.S., it was widely expected that cricket’s time would come in 2032 at the Olympics in Brisbane, and that this proposal would be more of a trial run. Flag football, by contrast, used the might of the NFL to boost the chances of including a game that is a less physical variation on the most popular sport in the U.S.—that is little-played or watched in most of the world.

Lacrosse had emphasized its heritage as a sacred sport played by the Haudenosaunee confederation of six Native nations across what is now New York and Canada. The IOC has in recent years added more flexibility into how host cities build their Olympic programs, including giving them the option to add sports on a temporary basis.

—Lindsey Adler and Rachel Bachman contributed to this article.



Bruce Bochy has led the Texas Rangers to a 2-0 lead over the Baltimore Orioles in the AL Division Series.

OPINION

Hamas's Global Test for Biden



GLOBAL VIEW
By **Walter Russell Mead**

Gaza is burning as Israeli forces methodically proceed to dismantle its structures of terror. The coming retribution will be terrible, but it is necessary and just. Hamas has lost the right to rule Gaza. It must be dismantled and disarmed, and neither Israel nor its neighbors can permit the group to return to power. Despite the best efforts of the Israel Defense Forces, innocent civilians will suffer, and too many will die. Urban warfare against a brutal enemy that doesn't scruple to use civilians as shields can have no other result, but what is coming to Gaza is not the fault of the IDF.

What will follow the fighting can't be foreseen. The establishment of a new Palestinian governing authority for the territory, linked to Fatah, closely guarded by Israel and Egypt, and funded by the Gulf states would be perhaps the best outcome for all concerned, but the war must be won before peace can be built.

At best, Gaza's future seems bleak. More than two million people are crowded into a barren wasteland with few natural resources and little hope. A rational Palestinian leadership would understand that, so situated, the only hope for the people of Gaza lies in close collaboration with Egypt and Israel. It would then settle down to the hard but necessary task of creating an economy that can support its people with dignity and security.

Hamas has had other ideas. The misery and poverty of the

Palestinian people is the soil, the only soil, in which a movement this perverted can flourish. Hamas has done all it could to keep Gaza wretched while inculcating an ideology of genocidal rage.

Israelis are temporarily setting their differences aside in the face of this hideous shock, as well they should. But there will be a reckoning in Israel too. Those who missed or misread the signs of danger will be driven ingloriously from office if they lack the grace to resign. A national-security establishment that wasted the past year in frenzied political infighting shouldn't be allowed to escape harsh public scrutiny. From the prime minister to the intelligence chiefs, those at the helm of Israel's affairs will have to account for their actions.

We aren't yet past the height of this crisis. While the exact details of Iranian involvement in the attacks are unknown, there is no doubt that Iran trained, supported, advised and equipped the killers. The hands of the mullahs are dripping with Jewish blood, and no one in Israel doubts that the fanatics in Tehran are hungry for more. In self-defense, Israel can't allow Iran's engagement with Hamas to go unpunished, but taking on a near-nuclear regional superpower means potentially a much wider war.

The consequences of the Hamas attack for President Biden's Middle East policy are, as Iran may well have calculated, devastating. Desperate to avoid a Middle East crisis while war rages in Europe, oil prices rise and tensions over, Taiwan mount, the Biden administration has consistently sought to pacify Iran.

Believing détente with the mullahs to be America's best

hope of avoiding yet another conflict in the Middle East, Mr. Biden has extended olive branch after olive branch to Tehran, which has slapped them away. Iran turned down the Biden administration's offer to re-enter the nuclear deal. It wasn't moved by the administration's quiet but dramatic loosening of sanctions. It released five hostages in exchange for \$6 billion but is obviously more interested in collecting ransoms than in building bridges to Washington.

His response to the attack on Israel will show the world what he is made of.

There's a pattern here. When he arrived in the White House, Mr. Biden hoped, in a phrase administration officials often used at the time, to "park Russia." In the spring of 2021 he exempted a company engaged in the construction of the massive Nord Stream 2 gas pipeline from U.S. sanctions and publicly contradicted Ukrainian President Volodymyr Zelensky's claim that the North Atlantic Treaty Organization was ready to accept Ukrainian membership. Instead of applauding Mr. Biden's statesmanship, Vladimir Putin thought he smelled Western weakness and cast his covetous eyes toward Kyiv.

Mr. Biden has tried even harder to park Iran, but as Tehran's support for Hamas's attack on Israel demonstrates, he hasn't had much success. It's a failure Franklin D. Roosevelt would have foreseen. "No man can tame a tiger into a kitten by stroking it," FDR

said. "There can be no appeasement with ruthlessness. There can be no reasoning with an incendiary bomb." The Biden administration hasn't merely been stroking the Iranian tiger, it has fed it salmon and cream, yet the tiger isn't satisfied.

The Hamas attack was not only an assault on Israel. In recent months, Mr. Biden's efforts to promote normalization of Saudi-Israeli relations began to bear fruit. American backing for a security and diplomatic partnership between Israel and Saudi Arabia has the potential to stabilize the Middle East while limiting America's direct military role. A major war between Israel and Hamas, the Iranians hope, will throw a monkey wrench into Team Biden's plans.

The world will now see what Mr. Biden is made of. Will he stand up against terrorists seeking to derail what could otherwise be his greatest diplomatic accomplishment? Will he offer Jerusalem his full military and diplomatic support when and if it is ready to show Iran the price of supporting mass murder in Israel? Or will he abandon America's closest Middle East partners in their hour of greatest need?

Fecklessness in Washington breeds recklessness abroad. Standing by Israel in a confrontation with Iran carries risk, but yielding to Iranian threats is more dangerous still. As Winston Churchill said to Neville Chamberlain after Munich, "You were given the choice between war and dishonor. You chose dishonor, and you will have war."

Unless Israel and the U.S. acting together can deter Iran from more aggression, Mr. Biden could soon face a similar choice.

BOOKSHELF | By Roger Lowenstein

The Agony After Appomattox

Klan War

By **Fergus M. Bordewich**
(Knopf, 480 pages, \$35)

No period in American history is hotter than Reconstruction, when civil rights for emancipated slaves were established in law and deed only to be tragically eviscerated. In "Klan War: Ulysses S. Grant and the Battle to Save Reconstruction," Fergus Bordewich focuses on an especially violent chapter of the late 1860s and '70s.

In the aftermath of the Civil War, freed blacks in the Southern states were elected to local as well as federal offices, and they voted in large numbers, giving the Republican Party a hammerlock over the South. But white Southerners would not accept Republican rule; indeed, for ex-Confederates, Mr. Bordewich observes, "the war had not ended." With their economy in tatters and their society uprooted, defeat "stung like bitter smoke in the air." The sight of former slaves drilling in state militias "inflamed" Southern sensibilities. And so a new organization arose: the Ku Klux Klan.

Mr. Bordewich, whose previous book profiled Republican reformers in the Civil War Congress, begins his compelling chronicle by detailing the astonishing brutality of the Klan, which wantonly beat and murdered blacks—as well as sympathetic whites—to intimidate voters, frighten Republican officials and reclaim power for Democrats.

This makes for gruesome reading. Right away we meet Wyatt Outlaw, a former slave who had escaped and fought in the Union Army and after the war opened a woodworking shop in North Carolina. He was, what's more, a Republican activist and outspoken defender of black rights.

In 1870 a score of masked, robed Klansmen burst into his house, assaulted him, dragged him to an elm and strung him up, not neglecting to slash the mouth that had spoken so freely.

His killers were never punished. Mr. Bordewich quotes the appalling boast of a former Tennessee congressman: "The negroes are no more free than they were four years ago, and if anyone goes about the country telling them that they are, shoot him."

Nobody knows how many blacks suffered the fate of Wyatt Outlaw, but one civil-rights organization has determined that between 1865 and 1876 at least 2,000 were killed. Countless others were whipped, beaten and raped. Mr. Bordewich is especially good on the origins of the Klan. It emerged in the late 1860s in Tennessee as a mildly jokey secret society that (in disguise) performed comic street theater and communicated via codes and gestures.

It quickly evolved into something more sinister: a hierarchically structured white-supremacist organization. In each district, a "Grand Cyclops" presided over division chiefs—in effect, a shadow Democrat government. Indeed, its aim was overtly political—that is, anti-Republican—and it spread like wildfire. Although cross burnings came only in the 20th century, masked night riders were common in the Reconstruction era. In many communities, virtually all the white men joined—on pain of a whipping, and the Klan's leaders sprang from the upper crust of white society.

Having established the Klan's aims and means, Mr. Bordewich shifts to the political struggle waged by former abolitionists such as Rep. Thaddeus Stevens to preserve black Americans' newly won freedoms. The hero in this drama is President Ulysses S. Grant, who despite mounting pressures for an end to federal intervention in the South and for fiscal restraint, launched a war on the Klan.

Not a natural crusader or politician, Grant in 1862 professed to have "no hobby of my own with regard to the negro." But he slowly but surely developed a sense of racial justice. In the White House he was horrified by mail from ordinary citizens decrying the South's brutal lawlessness. The widow of a white reformer in Georgia—murdered on a public road—begged for federal intervention. She wrote the president that the state government was "a sham, a mockery, a mere modification of the Confederacy." Grant responded to such appeals forcefully, not only with troops but also with prosecutors, thanks to legislation that enabled federal enforcement of civil-rights laws. By 1872 the Klan was disabled as a serious threat (20th-century versions bore only a tenuous link to the original).

The victor in one war, Ulysses S. Grant, as president, saw the need to launch another—on the South's brutal lawlessness.

Even so, the South, true to the Klan's designs, eventually became a one-party fiefdom in which blacks were reduced to virtual serfdom. A combination of Northern fatigue, Supreme Court hostility to federal intervention, and racism in the North and South undermined the freedmen's civil rights. Recounting the failure of Reconstruction, Mr. Bordewich spares no venom for apostate abolitionists such as Horace Greeley who—willfully deluded about the supposed good intentions of former rebels—were too quick to disown a national interest in civil protections in the South.

"Klan War" is packed with detail; in some places Mr. Bordewich might have provided more context and slowed the pace. Amid the battles over Reconstruction, we scarcely learn what these first experiments in biracial local government accomplished. Also, he credits Grant for creating a "uniform national currency" (that happened under Lincoln).

After the Klan's brief and bloody reign, blacks continued to vote in large numbers for the next two decades. Thus one can't credit the Klan for the latter establishment of Jim Crow. In any case, in the late 1890s black voting was fully suppressed, and the Republican Party in the South all but disappeared. "Klan War" raises a perhaps unanswerable question: Why did Northern efforts to create a more just society in the South fail so badly, compared with, for instance, the U.S.'s 20th-century postwar occupations of Germany and Japan? Perhaps absent a Marshall Plan-size commitment to revive the Southern economy, there was no countering the despair and resentment festering in the South.

Certainly Mr. Bordewich presents a convincing case that, left to their own devices, Southern whites were not about to confer real freedom on the freedmen. He is equally persuasive that by the end of Grant's second term, Northerners were unwilling to commit the guns to police the South, much less the butter to rebuild it.

Mr. Lowenstein is the author of "Ways and Means: Lincoln and His Cabinet and the Financing of the Civil War."

Not Your Father's Shoplifters



MAIN STREET
By **William McGurn**

A man is caught on video sauntering out of a New York Trader Joe's with his arms full of stolen steaks. An Apple store in Philadelphia is cleaned out by a flash mob that also ravaged a nearby Lululemon and Foot Locker. In San Francisco, Whole Foods, Walgreens, Nordstrom, Target and now Starbucks are all closing stores.

In U.S. cities from Los Angeles to Chicago, shoplifting has become an epidemic. The question is what's worse: the brazenness of theft today or how what was once unthinkable is now considered unstoppable.

There was a day when a kid trying to filch a pair of sneakers would have looked up and down before stuffing the shoes into his jacket when no one was looking. But thieves no longer need to hide their behavior. Today the shops themselves forbid staff to try to stop shoplifters.

At the same time, shoplifting has grown sophisticated. Smash-and-grab mobs overwhelm store employees and leave with garbage bags full of merchandise. Organized criminal enterprises recruit drug addicts to do the actual stealing and then sell the stolen goods on platforms such as eBay.

It's all a product of a grow-

ing social dysfunction born of the abandonment of broken-windows policing. Broken windows originated in a 1982 article for the Atlantic magazine by James Q. Wilson of Harvard and George L. Kelling of Rutgers. They argued that if you sweat the small stuff that really makes city residents feel unsafe (aggressive panhandling, public urination, petty crime), you'll catch problems before they metastasize. Their metaphor was the broken window.

"If a window in a building is broken and is left unrepaired," they wrote, "all the rest of the windows will soon be broken." Broken windows are "a signal that no one cares"—an emboldening message for those who would commit serious crimes.

Though broken windows revolutionized policing and transformed New York into America's safest big city, it has since come under attack. Many conflate it with a "zero tolerance" approach, or with stop and frisk, which is a tactic. Although imposing consequences for lawbreaking is a critical component of broken windows, its real aim was to restore public order by giving police and local authorities more discretion.

Since then we have unlearned most of its lessons. Quality-of-life offenses—e.g., treating the sidewalk like a toilet or sleeping in the streets—are no longer enforced. California, like others, raised the felony threshold for theft to \$950, and "reforms"

such as eliminating cash bail for many crimes let thieves back on the streets.

The National Retail Federation includes shoplifting in what it calls "shrink," which includes losses from both internal and external theft as well as administrative error. Last month the NRF reported that in 2022 shrink losses amounted to \$112.1 billion—up from \$93.9 billion the year before.

Criminals get bolder as American cities abandon broken-windows policing.

An NRF spokesman said his members are "seeing unprecedented levels" of theft. More than two-thirds of retailers also said that the stealing is becoming more aggressive and violent. The top five metropolitan areas hit by organized retail crime are Los Angeles, San Francisco/Oakland, Houston, New York and Seattle.

But to view shoplifting solely in dollars and cents, or as mere "property crime," is a mistake. For one thing, the human costs of store closings are enormous: employees lose jobs and benefits, customers lose access to quality goods at affordable prices, and neighborhoods suffer the loss of the tax revenue and vibrancy that healthy businesses bring.

A shoplifter's stealing \$100

worth of stuff may seem small potatoes. But when the problem multiplies, as it always does, it's a sign of a larger social disorder that leads to other bad behaviors. Pretending that shoplifters are latter-day Jean Valjeans stealing bread to feed children only adds to the confusion.

In other words, the epidemic of shoplifting is only one part of today's urban dysfunction. There are many other proxies, from routine subway fare-jumping to the homeless retaking our streets and the discarded drug needles that litter our parks. The law-abiding and lawbreaking alike know that the cops aren't coming to the rescue.

That lawlessness has become routine speaks to the inability of authorities to distinguish between predators and victims. When a 61-year-old Harlem bodega worker stabbed a 35-year-old ex-con in self-defense, he was charged with second-degree murder and chucked into Rikers Island jail. That is, until a public backlash led the district attorney to drop all charges.

Shortly before Kelling died in 2019, I asked him about the New York's scaling-back of broken-windows policing. He said it was fine to "pull back on a few things" in response to changed circumstances, but the risk was that people would see others behaving badly and copy them. "You don't know where the tipping point is."

I think we've found it. Write to mcgurn@wsj.com.

Nikki Haley Can Beat Donald Trump

By **Will Hurd**

Donald Trump is the front-runner for the Republican presidential nomination, but his selection isn't inevitable. To beat him once and for all, we can't continue to propagate three fallacies:

First, that someone who hasn't yet declared can swoop in to defeat Mr. Trump. Running for president is a complicated undertaking. It requires time to assemble an effective organization that can create a grassroots apparatus in multiple states, execute multimillion-dollar advertising campaigns, establish ballot access across the nation and territories, and institute sufficient fundraising operations. This is

impossible if you aren't already in this race this late.

Second, that donors, influencers, elected officials and candidates can wait to consolidate. A candidate needs the resources and momentum now to establish a strong po-

DeSantis isn't up to the task, and it's too late for a new entrant.

sition in Iowa and New Hampshire. The party can't wait until next year to counter the narrative that Mr. Trump is invincible. That progress—and significant investment—needs to be made this autumn if a candidate is

to have a fighting chance on Super Tuesday.

Third, that Ron DeSantis can rise from the ashes and beat Mr. Trump. The prevailing narrative has been that the Florida governor is the only person suited for the job. It's time to accept that despite having a name-recognition advantage and an impressive war chest, Mr. DeSantis is a flawed candidate who has failed to establish himself as an alternative to Mr. Trump.

I've always tried to follow my own advice, which is why I have suspended my campaign for president to support Nikki Haley. Our nation deserves a leader who can unite us and navigate the complex challenges we face, particularly on national security. Ms. Haley is

the best person in this race to do that. I encourage donors, fellow candidates, Republican elected officials, conservative influencers and anyone worried about our republic to support her too.

The time is now. If we wait much longer, we will anoint Mr. Trump as the leader of our party. While I have many friends running who represent the right direction for the party and America, Ms. Haley has the clearest path to victory, the character and credentials to lead, the willingness to take on Mr. Trump, and the conservative record needed to beat Joe Biden.

Mr. Hurd, a Republican, represented Texas' 23rd Congressional District, 2015-21.

OPINION

REVIEW & OUTLOOK

Wake Up, Washington

At least 11 Americans were among the hundreds killed in the weekend attack in Israel, which has begun striking back at Hamas. The invasion, planned with an assist from Iran, ought to wake up both parties in Washington. The world is awash in threats that will inevitably wash up on our shore if America doesn't get its act together.

The Israelis have launched air strikes as a prelude to a larger effort in Gaza, and more volatile days are ahead—especially if Hezbollah, another Iranian client, opens a second front on Israel's northern border.

The larger context is that the U.S. and its allies now face two regional wars provoked by rogue states that are increasingly aligned. Israel and Ukraine are on the front lines, but the risk of an expanded conflict is real. Iran is feeding weapons into Vladimir Putin's invasion in Ukraine. Mr. Putin is a junior partner of the Chinese Communist Party, which could try to exploit the moment in the Pacific.

The strategic and political point is that the return of war against Israel isn't an isolated event. It's the latest installment in the unraveling of global order as American political will and military primacy are called into question.

The President now has an obligation to increase the defense budget and stop treating the U.S. military as a political wedge to feed the American welfare state. For three years Mr. Biden has proposed cuts in defense spending after inflation, even as the world has become more dangerous.

The President can stop the budget games—the demands that every dollar on U.S. forces be matched with another for solar panels or food stamps—and work with Republicans to rebuild U.S. military power. That package should include aid for Israel, Ukraine and Taiwan. It should feature a generational effort to expand U.S. munitions inventories, from 155mm artillery to sophisticated long-range antiship missiles. Ditto for a plan to build more U.S. attack submarines for the Pacific.

Already officials are leaking that the U.S. may struggle to supply both Israel and Ukraine with artillery or other weapons while also deterring China. But America can either meet the moment or regret it later when the world's rogues attack other allies, or U.S. forces deployed abroad, or even the homeland.

The weekend's bloodshed in Israel should finally end illusions that Iran can be coaxed or

paid off to change its behavior. The Iranian regime's ambition is to destroy Israel, dominate the Middle East, and become a nuclear power that can menace Europe and the U.S. It is a revolutionary state, not a status quo power. The U.S. needs a strategy that recognizes that reality and challenges Iran at home and abroad.

Mr. Biden could also stop trashing all Republicans as stooges of Donald Trump. The world moment looks increasingly comparable to the 1930s, with gathering threats. Mr. Biden will need bipartisan help in a crisis. That means working with Sens. Mitch McConnell (see nearby) and Tom Cotton, Reps. Mike Gallagher and Michael McCaul, and other Republicans who are serious about U.S. security.

As for Republicans in Congress, they will have to get serious about governing and elect a new Speaker with dispatch. They need to isolate the Steve Bannon acolytes who treat shutting down the government for no good reason like a personal power play. Americans may be among Hamas's hostages, and the GOP should support Mr. Biden if he sends a military mission to rescue them. The world needs to see that the U.S. can unite in a common security purpose.

If Mr. Biden does reach out to build a bipartisan coalition on U.S. military spending and foreign policy, Republicans should welcome it. They can influence him in the right direction rather than descend into partisan opposition like some have on support for Ukraine.

* * *

The growing global disorder is a result in part of American retreat, not least Mr. Biden's departure from Afghanistan that told the world's rogues the U.S. was preoccupied with its internal divisions. But too many Republicans are also falling for the siren song of isolationism and floating a defense cut in the name of fiscal restraint. The Hamas invasion should blow up dreams the U.S. can "focus on China" and write off other parts of the world.

Donald Trump didn't rebuild U.S. defenses as much as he claims, and his political competitors should say so. Former Vice President Mike Pence was correct when he said over the weekend that the awful scenes abroad are what happens when political leaders are "signaling retreat from America's role as leader of the free world." Nikki Haley sounded similar notes.

They seem to know what time it is. The rest of Washington needs an alarm clock.

A second regional war calls for an urgent bipartisan defense effort.

Massacre at the Music Festival

At dawn Saturday in the Negev desert in southern Israel, a few thousand young revelers were celebrating Simchat Torah, the end of the Jewish holiday season, at the Tribe of Nova music festival. It would soon become the scene of the worst mass murder of Jews since the Holocaust.

A few revelers noticed what seemed to be parachutes descending from the sky, filming them on their phones. Soon they saw trucks of armed men arrive. Then the shooting began, point blank, as the crowds fled for their lives. Those who tried to reach their cars to escape were slaughtered as the Hamas killers waited at the exits. In one festival tent, bodies of the murdered lay piled together where they'd been shot en masse, like the scenes of Jews shot and dumped into ditches in World War II.

Those who fled across the desert were luckier, at least at first, though the killers soon pursued them too. Some hid behind trees and under bushes, according to the accounts of

survivors. Others were shot as they fled, some in the legs so they could be taken captive. Readers have seen the videos of captives, some wounded, being carried off to a dungeon in Gaza as hostages.

Israeli rescue groups report finding some 260 bodies at the festival site. The Tribe of Nova massacre joins other mass murders of the innocent that history should never forget. Stalin's massacre of Polish officers in the Katyn forest comes to mind, as does the Nazi execution of thousands of Jews at Babi Yar in 1941.

It's another reminder that the arc of history may be long but it doesn't always bend toward justice. It often points toward mayhem and injustice when the baser instincts of human nature and murderous ambition are left unchecked by civilized nations. In a world where might is allowed to determine right, the innocent aren't spared. Let's hope hundreds or thousands more won't have to die before we relearn this ancient lesson.

In a world where might determines right, the innocent aren't spared.

How Biden's Policy Enriched Iran

The Journal's report that Iran signed off on the Hamas assault on Israel should jolt President Biden from his failed Iran strategy. A place to start would be honesty about how U.S. policy has financed Iran's support for Hamas.

Secretary of State Antony Blinken insisted over the weekend that the \$6 billion the Administration unfroze in exchange for the release of five American prisoners wasn't used to attack Israel. That may be technically true, but there's no question the U.S. decision to ease enforcement of oil sanctions against Iran has aided Israel's enemies.

Speaking of the proceeds from the \$6 billion in unfrozen assets, Mr. Blinken said on ABC's This Week that "not a single dollar from that account has actually been spent to date," adding that "it's very carefully and closely regulated by the Treasury Department to make sure that it's only used for food, for medicine, for medical equipment."

But money is fungible, and Tehran doubtless anticipated the increased cash flow when it plotted the attack. News reports say Iran's Islamic Revolutionary Guard Corps had been coordinating with Hamas since August, which is about when the U.S. agreed to the prisoner swap that would give Iran access to the \$6 billion.

More important, the U.S. also throttled back enforcement of oil sanctions, which gave Tehran billions more dollars to finance Hamas, Hezbollah and other terrorist proxies. Iran's oil production jumped to three million barrels a day in August from 2.6 million in April, according

to Organization of the Petroleum Exporting Countries data.

Iran's oil minister said in August the country's oil production would hit 3.4 million barrels a day by the end of September, the highest since 2018 when the Trump Administration imposed sanctions. Its exports have increased even more—by about one million barrels a day this year—because it has also been shipping stored fuel, namely to China.

Fathom that: Iran has ramped up oil production at a faster rate than the U.S. as the Biden Administration turned a blind eye to its sanctions circumvention. Iran's production surge occurred mostly over the summer as the Administration sought to strike a new nuclear deal with Tehran and counter rising U.S. gasoline prices.

The White House might say that this is necessary so Russia wouldn't benefit from rising oil prices amid its agreement with Saudi Arabia to curtail production. But the Saudis scaled back production in part because of Iran's growing exports, and Russia is benefiting anyway from higher oil prices by dodging the G-7's price cap on its exports.

It's fair to ask if the Administration has let Iran and Russia evade sanctions because it doesn't want to be blamed for higher gas prices as it continues to add regulations to limit U.S. production. In any case, Tehran isn't using the \$30 billion to \$40 billion it has generated from oil exports this year to buy food and medicine. It's been arming Israel's enemies and supporting Russia's war machine as they seek to destroy America's allies.

Failure to enforce oil sanctions has helped Tehran finance Hamas.

LETTERS TO THE EDITOR

An Ailing America Must Adapt to a New World

Kate Bachelder Odell would lead you to believe that the only thing that has changed since Mikhail Gorbachev met Ronald Reagan in 1985 is the Heritage Foundation's position on America's role in the world ("What Time Is It at the Heritage Foundation?" op-ed, Oct. 5). But Gorbachev no longer leads a Soviet Empire; Vladimir Putin leads a severely weakened Russian petrostate. More to the point, Xi Jinping's China—not Russia—is now America's No. 1 adversary on the world stage.

America, too, has changed in the 40 years that Mrs. Odell wants to "fast forward" through. Our debt-to-GDP ratio has tripled, a reflection of many Americans' own mounting debt. Men aren't pursuing work or marriage, much less military service. The president isn't a fearless Reagan but a feckless Joe Biden. Is it any wonder the polls Mrs. Odell encourages us to ignore indicate that the American people are growing tired of shipping billions in taxpayer dollars to Kyiv without articulating our end game?

Mrs. Odell is right to recall Reagan's assertion that "the U.S. could still summon 'the moral energy and spiritual stamina' to confront problems both at home and abroad." But to do so, we must overcome the challenges that confront Americans in this century—not those of 40 years ago.

In this respect, Reagan remains our guiding light. A relentless prioritizer, the Teflon president spurned the backward-looking foreign-policy consensus of his day and reoriented all of America's power toward defeating the

Soviet Union. Defeating enemy No. 1 is precisely what we are doing at the Heritage Foundation today.

By advocating an acceptable resolution to the war in Ukraine, we hope to put an end to the deaths, the decimation of our weapons reserves and the distraction of our forces from where they're most needed in the Pacific. In short, we reject the idea that war is ever a "strategic gift," and hold fast to Reagan's motto: "Peace through strength."

KEVIN ROBERTS
President, the Heritage Foundation
Washington

Mrs. Odell unfairly suggests that the Heritage Foundation is abandoning Reagan's legacy. She quotes from Reagan's 1986 address at Heritage, which praised the think tank for refusing to listen to the "experts" and instead "bringing to Washington the political revolution that had already occurred in the American heartland."

Today, the heartland again seems to sense much more clearly than Washington that our debt is six times higher than in 1986; that Russia isn't the Soviet Union; that Congress, not the president, is constitutionally empowered to decide whether we enter wars (in Taiwan or elsewhere); and that America is far more likely to be destroyed from within than from without. As in Reagan's day, those who channel the heartland will be ahead of the curve in Washington.

JEFFREY H. ANDERSON
American Main Street Initiative
Alexandria, Va.

Who's to Blame for the Republican Quandary?

Daniel Henninger's "A Sellout for Nothing" (Wonder Land, Oct. 5) discusses how the rebel Republican faction will hurt election results in 2024. I wonder if that is right. The Republican base and, I believe, the majority of voters are angry with the government's handling of the debt. That Rep. Matt Gaetz would echo those feelings won't hurt voter turnout; apathy from not being heard is what extinguishes voter enthusiasm. Being a so-called pragmatic Republican is being a Democrat-Lite, a Washington small-ball insider. Maybe we want someone who speaks to what is right and necessary like the border and the debt.

GERARD FISCHER
Naples, Fla.

Your editorial "Republicans Cut Off Their Own Heads" (Oct. 4) correctly notes that Rep. Kevin McCarthy's demise as speaker may have been a foregone conclusion due to the concessions he had to make to win the speakership. But instead of making those concessions, Mr. McCarthy could have chosen to step aside. Instead, he made deals that weakened his role and perhaps the position of speaker itself for years to come.

Mr. McCarthy put the country first when he refused to let the government shut down. He should also have put the country first last January by clearing the path for someone else to run for speaker of the House.

ROBERT L. GILBERT
Middletown, R.I.

In "Jamaal Bowman and Matt Gaetz Are Alarmingly Similar" (Free Expression, Oct. 3), Gerard Baker argues that Republicans risk losing in 2024 if they don't coalesce around one candidate who could beat former President Donald Trump in the primaries. I, for one, am sick and tired of watching debates where candidates yell over each other. Mr. Trump needs to be in a debate, but he knows he will never have to explain his actions so long as a cadre of challengers splits the vote.

Are they running to appease their egos? Or do they all think they can win even while polling in the low single digits? Their actions will be more destructive than what Mr. Gaetz and his small group of extremists are doing in the House. They will give us another four years of progressive rule.

KEN DROPEK
Houston

Healthcare, From Rural Alabama to the Bay

I take issue with your editorial "Kaiser's Single-Payer Portent" (Oct. 6). My mother relocated to assisted living near us a few years ago. She had been living in rural Alabama, where her medical costs were higher. Since moving to the Bay Area, her premiums have decreased and the quality of service has improved. Kaiser Permanente physicians allocate sufficient time for appointments, whereas her previous doctors often ran behind schedule, causing lengthy wait times and leaving them with only five minutes or so to attend to her needs. If her inquiries were extensive, she had to schedule another appointment.

My mother resided in an economically disadvantaged area where most patients relied on government reimbursement programs, compensating doctors at rates below the market average. Consequently, doctors managed enormous patient caseloads to pay for the reduced reimbursement rates. On several occasions, these

doctors prescribed conflicting medications, necessitating intervention by her Walmart pharmacist. There was a lack of communication among local doctors, resulting in subpar service at higher costs within a region with a lower cost of living. Kaiser employs a more efficient system that offers superior service to its patients at more affordable rates.

STEVEN EDRINGTON
Oakland, Calif.

The Entitlement of Criminals

Dr. Joshua Mason says victimhood promotes anxiety (Letters, Oct. 2). I believe his diagnosis is only partly correct. The victimhood obsession also fosters a belief in entitlement, as when a shoplifter complains that police are "interfering with my hustle." That such criminals are increasingly young and given to group theft suggests that victimhood is producing a generation of criminals who have no respect for the law and regard arrest as a mere bureaucratic inconvenience.

BILL MARSANO
New York

Pepper ... And Salt

THE WALL STREET JOURNAL



"And put a couple of exclamation points in the email, so they know I'm serious."

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DAVID S. ELDER
Houston

OPINION

Four Steps for the U.S. to Help Israel

By Mitch McConnell

As hundreds of Iranian-backed terrorists stormed into Israel on Saturday to butcher children and elders, kidnap Israeli civilians, and parade the naked bodies of murdered women through the streets of Gaza, many of their fellow Palestinians and supporters around the world cheered.

The world has again seen the face of evil. Those blessed to live in the democratic West must understand that this barbarism, like that in Russia's war against Ukraine, threatens all of us. The civilized world needs to offer Israel more than rhetorical solidarity.

Make munitions transfers, offer intelligence support, and impose costs on state sponsors of terrorism.

There are four practical steps the U.S. and our allies and partners across the world must take to help Israel.

First, distinguish between the aggressor and the victim. There can be no calls for "both sides" to de-escalate. Israel deserves the time and space to defend itself.

Second, quickly provide the specific capabilities and intelligence support Israel needs to target and destroy these savages. As we have seen in Ukraine, failure to act decisively can prolong the conflict and compound the costs of war. Can anyone seriously argue we shouldn't have provided Ukraine with Javelins, Stingers, Himars, tanks and air defenses sooner? Israel's requirements in this war will be different from Ukraine's. The deployment of the USS Ford carrier strike group to the eastern Mediterranean and announcement of munitions transfers to Israel are good first steps.

Third, make America's national defense a priority. It's past time for the Biden administration to recognize that while war is expensive, failure costs more. President Biden has requested three consecutive budgets that cut defense spending in real terms while substantially increasing nondefense spending.

There is still time to act. Congress has the opportunity this fall to provide emergency appropriations to the Defense Department so that it can assist partners like Israel, Ukraine and Taiwan, as well as invest in our own military capabilities. This should include significant replenishment funding, which allows us to expand and modernize our own weapons inventories. It should also include investments to



The USS Gerald R. Ford is moving to the eastern Mediterranean.

Nobel Peace Prize. Since the nationwide uprising of Iranians protesting the clerical regime's brutal control and the killing of Mahsa Amini in September 2022, rhetorical support and solidarity has poured out across Europe and the U.S. Rightly so. But symbolic virtue-signaling of support isn't enough. We must also put meaningful pressure on the regime to change its behavior at home and abroad.

The civilized world must impose real costs on terrorists and those who support or condone them. There should be no haven for Iran's agents of death. The West should reimpose extensive multilateral sanctions on Tehran and deny Iranian planes overflight rights. Impound the shipping vessels Iran uses to circumvent sanctions. Close Iranian banks with access to the West, and cease the Iranian operations of European businesses. Treat Iranian officials like pariahs and sink Iranian naval boats that threaten international shipping.

In the days and weeks ahead, the brave people of Israel will continue to reclaim their territory, rescue their countrymen, and mourn the innocent men, women and children the terrorists have slaughtered. They deserve the support of the free world, in both word and deed.

Mr. McConnell, a Kentucky Republican, is Senate minority leader.

expand our ability to produce critical munitions, long-range fires, and other essential defense technologies here in America.

Finally, focus on Iran. There are already indications this war was orchestrated with considerable assistance from Tehran. The world's most active state sponsor of terror has long provided training and lethal aid to Hamas and Palestinian Islamic Jihad, just as it has with Hezbollah in Syria and Lebanon and numerous Iraqi and Yemeni proxies. We recognize the deepening partnership between Tehran and Moscow. The same Iranian drones of

death Tehran has provided to its terrorist proxies are being used by Russia to inflict terror on Ukraine's cities.

Ayatollah Ali Khamenei himself has said, "God willing, the cancer of the usurper Zionist regime will be eradicated at the hands of the Palestinian people and the Resistance forces throughout the region." Hamas's spokesman has also publicly expressed thanks for Iran's lethal support.

Only the day before this Iranian-backed barbarism, Narges Mohammadi, an imprisoned Iranian women's rights activist, won the

The New World Disorder and Hamas's Barbaric Attack on Israel



FREE EXPRESSION
By Gerard Baker

It will take time to absorb the horror and to begin to understand the wider consequences of the carnage Hamas unleashed on Israel this weekend, but five things are immediately clear.

First, while the scale of the attack has implications that will transform the strategic landscape, we must recognize the atrocity primarily for what it is—another attempt to annihilate the Jewish people.

The spectacle of paramilitaries going house to house shooting Jews, dragging their dead bodies through the streets, and brandishing them as spoils is as shocking as it is familiar. For Jews, this is their history played out one more agonizing time. Another year, another place, another pogrom. Even the state of Israel, that magnificent homeland they have built for themselves in the desert, with its world-beating technology and its fearsome security forces, can't fully protect them from the undying, putrid hate of anti-Semitism.

Second, as moving as it has been

to watch, the sympathy we have seen expressed for Israel around the world won't last. It has been stirring to see the colors of the Israeli flag adorning public buildings across Europe and America, but I give it a week before normal service is resumed.

As Israel begins its campaign of righteous retaliation and starts trying to eliminate the terrorist threat once and for all, the regular crowd of left-wing politicians and their acolytes in the media will demand "restraint" (some were already doing so even as the slaughter of Israelis was unfolding) and denounce a response they will deem "disproportionate."

Pray tell, what is a "proportionate" response to an enemy that indiscriminately mows down young partygoers at a concert, drags off terrified grandmothers to an unknown fate in some Gazan hellscape, and spits on the half-naked body of an innocent young woman they have just murdered?

Third, as this war escalates, it is important to understand that the savagery is essential to Hamas's goals. Their wanton bloodlust is designed to work twice over. They murder, rape and mutilate Israelis, knowing that in its response Israel will wreak havoc on Palestinians. Is-

rael, unlike its enemies, will do what it can to avoid punishing the innocent. But innocents will suffer, because Hamas has positioned them precisely for this purpose.

The terrorists' objective is truly indiscriminate destruction. For them a dead Jew is a bonus, but a dead Palestinian is a trophy they can parade before credulous Western media to convey some supposed

Savagery is essential to the terrorists' strategy, and U.S. weakness surely emboldened them.

moral equivalence between their depravity and the actions of a beleaguered state seeking to preserve its very existence.

Fourth, and while acknowledging it's too soon to make definitive judgments, we must understand the strategic context that demands an accounting of the role the U.S. has played in the genesis of this tragedy.

Catastrophic errors by successive administrations in Washington over 20 years are reaping a whirlwind. The defining reality over that time

has been the spectacle of an America blundering into and then clumsily abandoning the region: the disaster of the Iraq war, the abysmal mess we left in Libya, the pitiful weakness shown in Syria, the humiliating retreat from Afghanistan, the incoherent and naive back-and-forth over whether Saudi Arabia is a friend or a pariah.

The single consistent beneficiary has been Iran, sponsor of Hamas, Hezbollah and other groups that murder innocents. Instead of compensating for our abandonment of the territory for Tehran's mullahs to exploit, the U.S. has doubled down on the power it ceded to them.

The appeasement of Iran by the Obama and Biden administrations has bolstered the conditions by which Tehran exerts its power—in Syria, Iraq, Lebanon and Gaza. Most recently last month, on the anniversary of the 9/11 attacks, the Biden team's strategic geniuses executed the infamous cash-for-hostages swap.

It is nauseating to listen to officials from the administration and its media proxies insist that the \$6 billion consideration in that deal couldn't be used to enable Iran to fund Hamas. How naive, how dishonest, do you have to be to pretend that, if I deposit \$6 billion into one

of your bank accounts, you can claim that you aren't \$6 billion better off to spend as you please?

No one wants war with Iran, but given the role Tehran played in organizing this monstrous attack, Israel must now surely strike at the regime, and any conflict that may ensue owes at least in part to America's indulging Tehran for too long.

Finally, it's impossible to resist the wider conclusion that the world has become much more dangerous in the past three years. This isn't to endorse Donald Trump's claims about his diplomatic successes—the former president's curious affection for autocrats was never going to promote peace in the long term. But the Biden administration has turned Afghanistan from a U.S. protectorate to a terrorist state, has seen a nuclear-armed adversary invade a European nation on the borders of the North Atlantic Treaty Organization, and has now watched helplessly as our closest ally in the Middle East has been raped by terrorists backed by a state the administration has been busy appeasing.

The primary responsibility for the monstrosity in Israel lies with the terrorists. But American weakness will always embolden the worst people in the world.

Hamas's al-Aqsa Lie Has a Long and Disgraceful History

By Douglas J. Feith

Most of the coverage of the Hamas-Israel war omits the reason for Hamas's attack. Reports that do address the question often cite the official Hamas explanation that Israel is plotting to destroy the al-Aqsa Mosque on Jerusalem's Temple Mount. Hamas calls this war "Operation al-Aqsa Deluge." But that justification is a fraud. The mosque is in no danger, and Hamas isn't defending any Muslim holy site. The attack is offensive. Hamas wants to torture and kill Israelis in hopes of triggering mass uprisings by Muslims and perhaps spurring a larger war that might wound and isolate Israel, with the ultimate aim of destroying the Jewish state.

The accusation that the Jews are plotting against al-Aqsa was concocted a century ago by Haj Amin al-Husseini (1897-1974), the predominant political leader of the Palestinian Arabs from the 1920s through World War II and beyond.

Haj Amin, an Islamist radical from a notable Jerusalem clan, became a significant figure at age 24 when a British official appointed him mufti of Jerusalem, a high religious office. Britain made the appointment because it conquered much of the Near

East—including Palestine—in World War I, after the Ottoman (Turkish) Empire sided with the Germans. The British victory ended 400 years of Turkish rule.

The Arab-Jewish conflict arose from the peace settlement after the war, which put the approximately 19 million Arabs of the Near East on the path to sovereignty over 99% of the region's territory. The remaining less than 1% was Palestine west of the Jordan River, the bulk of the ancient Jewish homeland. It was put into a trust, called a "mandate," for the benefit of world Jewry, which then constituted some 15 million people. Its small population of Arabs—600,000 or so—naturally preferred to remain the majority, like Arabs in the rest of the Near East. The Jewish people, however, would then have had to live as a stateless and vulnerable minority everywhere, and enjoy national self-determination nowhere.

Haj Amin was a violent enemy of Zionism. He had no interest in sharing the land, no sympathy for the Jews, and no interest in peace with them. He said Palestine belonged to the Arabs, period. While Zionist leaders time and again showed a willingness to accept the best deal offered to them—to set up a state in less territory than they believed they were

entitled to—Haj Amin argued that national control of the land was a matter of honor and religious faith and therefore couldn't be compromised.

Haj Amin expanded his power beyond the religious sphere by appealing to the public's nationalist passions. He concentrated on making a white-hot issue out of Jerusalem. He claimed the Jews weren't interested only in a national home but intended to wreck Islam's holy sites on the Temple Mount and eliminate Arabs from the country. He repeated these accusations for decades, summarizing them in an article he published in the 1950s: There is "a plot devised long ago between the Jews and colonialism," he wrote, and its aim is "to remove the indigenous Arabs from their homeland."

This "plot also intends to terminally eliminate the Arab character, religion, holy places and places of worship in this country" and "to uproot its sons," he wrote. "They also intend to rebuild the Jewish temple known as the Temple of Solomon on the current site of the blessed al-Aqsa Mosque." He described "our battle with World Jewry" as "a question of life and death, a battle between two conflicting faiths, each of which can exist only on the ruins of the other."

Haj Amin positioned himself as Islam's champion in Jerusalem. He made a project of heightening the city's importance in Muslim eyes and systematically—and falsely—alleging horrific Jewish threats. He succeeded in becoming the predominant Palestinian Arab political leader of the

The pro-Nazi mufti of Jerusalem first accused the Jews of targeting the Muslim holy site.

1930s and '40s. Britain expelled him from Palestine in the late 1930s for supporting terrorism. During World War II, he helped organize a pro-Nazi coup in Baghdad, which Britain helped suppress. Haj Amin then fled to Berlin, where he met Hitler, became a Nazi government guest, made pro-German wartime propaganda broadcasts, and helped the SS recruit Bosnian Muslims. Haj Amin's embrace of Hitler discredited the Arab cause in Palestine, making Palestinian Arabs diplomatic pariahs for a quarter century after World War II.

Today, Hamas brazenly uses Haj Amin's playbook. Its leaders hope to

rally the Muslim world by repeating the mufti's claims of Jewish threats to al-Aqsa. The allegations' falsity should be obvious. Israel has controlled the Temple Mount for 50 years. It hasn't destroyed the al-Aqsa Mosque or the Dome of the Rock. Regarding freedom of worship on the Temple Mount, it has shown extraordinary deference to Muslim interests and sensibilities. Muslims pray there without hindrance. Visits by Jews are allowed, but not in the main buildings, and Arab security personnel generally prohibit open prayer outdoors.

The alleged Jewish threat to al-Aqsa has been bogus since Haj Amin invented it. Hamas's actual goal, also borrowed from the mufti, is to drive the Jews out of Israel—to win what he saw as "a battle between two conflicting faiths, each of which can exist only on the ruins of the other."

In aligning itself with Haj Amin, Hamas conceives and fights its battle against Israel in such a way that diplomacy cannot resolve. Opposing all compromise, Hamas demands a fight to the death.

Mr. Feith is a senior fellow at the Hudson Institute. He served as under-secretary of defense for policy, 2001-05.

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Notable & Quotable: Claudia Goldin's Nobel

David Henderson writing at the *Journal's* website on the 2023 Nobel Prize in economics:

Ms. Goldin, who earned her doctorate in economics at the University of Chicago in 1972, has worked over many decades on the "gender gap." . . .

Many labor economists point to the choice of occupation, which reflects the choice of college major. A 2008 study cited by the Nobel committee found that for women who had a labor-force attachment like that of men, the choice of college

major accounted for more than half of the gender earnings gap: Women are substantially underrepresented in STEM fields.

One way to adjust for choice of occupation is to compare earnings of men and women in the same occupation with the same or similar schooling. Ms. Goldin, [Lawrence] Katz and Marianne Bertrand of the University of Chicago made that comparison in a 2010 study, which found that the primary factor behind long-term differences in earning was child-rearing. For M.B.A. students who graduated from the University

of Chicago's business school between 1990 and 2006, the authors found almost no gender gap in employment or wages just after graduation. But 10 years later, women had taken an average of one year off from work, while men had taken off only 1½ months.

Presumably, the reason is that women were having and raising children. The authors noted that three factors—the particular M.B.A. courses taken and performance in the courses, time away from work, and the number of hours worked—explain 84% of the wage gap.

WORLD NEWS

U.S. to Target Evasion Of Russia Oil Sanction

BY ANDREW DUEHREN AND JOE WALLACE

The U.S. is preparing to crack down on evasion of its marquee sanction on the Russian oil industry, an attempt to shore up a novel price-cap regime that has seen its effectiveness wane.

Treasury Secretary Janet Yellen said in an interview that the U.S. would “very likely” take steps to enforce the \$60-a-barrel price limit that the U.S. and its partners imposed on Russian oil sales.

Russia has succeeded in selling its crude oil above the \$60 limit for several weeks, with benchmark prices rising as high as \$85 a barrel in late September, raising questions about whether firms are defrauding the cap. Prices for refined oil products such as diesel have also risen above Western caps.

“We are looking at enforcement very carefully and we want to make sure that market participants are aware we take this price cap seriously, and, to the extent Western services are used, we mean business about abiding by the cap,” Yellen told The Wall Street Journal on an Air Force jet en route to Marrakesh, Morocco, where she is attending meetings of the World Bank and International Monetary Fund.

The price cap functions by requiring Western firms that handle, trade or insure Russian oil to only do so if the oil is sold at or below the cap—or face the threat of penalties from the U.S. and its allies. Since it invaded Ukraine, Russia has built up its own shipping infrastructure to sell oil, allowing exporters to sidestep the price caps.

Nevertheless, much of its crude and petroleum products are still sold with Western help. Of the 4.44 billion euros, equivalent to around \$4.68 billion, in fossil fuel Russia exported in the week ending Oct. 1, 37% moved on ships owned or insured by compa-

nies in Europe or the Group of Seven advanced democracies, according to analysis by the Centre for Research on Energy and Clean Air think tank.

As the price of Russia’s benchmark crude, Urals, climbed above \$60 this summer, analysts and traders started to wonder when—or if—the U.S. would step in. The U.S. and its allies have yet to penalize a firm publicly for breaching the sanctions, which requires banks, insurers and traders to promise they are handling oil at or below the price cap, to the best of their knowledge. Some analysts

Price of Urals crude oil over the past year



Source: Argus Media

doubted whether many Western firms were actually complying with the rules if the average price was well above \$60.

The rise in the price of Urals has started to cut into one of the price cap’s two goals: To hold down Russia’s revenue from oil sales, which make up much of the Russian budget and finance Moscow’s war in Ukraine. While Russia’s oil and gas revenue for January to September is down 34.5% year over year, September energy revenue was up 15% as higher prices for Russian oil, coupled with a weaker ruble, boosted receipts, accord-

ing to Russian budget data.

At the same time, higher global oil prices this summer put pressure on the American goal of keeping global energy markets stable. A central conundrum of the price cap has been Russia’s role as one of the world’s largest oil producers.

U.S. officials have worried about penalizing the industry too sharply, cutting off a key supplier and exacerbating inflation globally. With enforcement actions, the U.S. will face the delicate task of stopping evasion while not spooking the Western firms from still scooping up Russian oil.

“The overall market sentiment is that there’s no enforcement whatsoever,” said Viktor Katona, lead crude analyst at commodity-tracking company Kpler.

Katona said the complex supply chain that Russia has developed to get its oil to end buyers poses a challenge to any attempt to enforce the cap. Trading companies appear to be buying at compliant prices at the Russian harbor, which is the point in the export chain where the cap first applies, then reselling the oil several times before it reaches its destination, where the final sales price to refiners exceeds the cap. These sales at sea are all but impossible for outsiders to track, Katona said.

Even with higher Russian oil prices, U.S. officials still view the price cap as a success. Russia has had to devote significant resources toward buying up its own oil tankers and procuring alternative forms of insurance, they say, sucking money away from the Kremlin’s war effort. The U.S., European Union and their allies have largely banned the import of Russian oil.

—Ian Talley and Georgi Kantchev contributed to this article.

◆ U.S. probe focuses on major oil trader..... B10

WORLDWATCH



GEARING UP: Indians on Monday rehearsed the Garba, a traditional dance of Gujarat state, ahead of the Hindu festival of Navratri in Ahmedabad, India, that starts later this month.

GUATEMALA

Official Wants Protests Stopped

Guatemala’s attorney general on Monday called for the government to act against largely peaceful protesters, who have taken to the streets for weeks demanding her resignation for what they say are clear attempts to undermine their nation’s democracy.

Protests broke out in Guatemala two weeks ago following one of the most tumultuous elections in the country’s recent history. The protests are fueled by accusations that Attorney General Consuelo Porras has tried to prevent President-elect Bernardo Arévalo, a progressive outsider, from taking office in January.

Arévalo and his Seed Movement party have faced waves of legal attacks. Those moves prompted indigenous groups and rural-dwellers to call for an indefinite strike and more than 80 roads throughout the country have been blocked.

Porras called the demonstrations against her illegal, and asked for authorities to forcibly clear the blocked roads and allow for the free circulation of people again.

—Associated Press

KENYA

Court Puts Hold on Haiti Deployment

Kenya’s high court temporarily barred on Monday deployment of the country’s security forces to other countries for two weeks until a case filed by a local politician challenging such action as unconstitutional is looked into.

This came after Kenya agreed to lead a multinational force to combat gang violence in Haiti following a United Nations Security Council resolution approved last week. The mission would be funded by voluntary contributions, with the U.S. pledging up to \$200 million.

Former presidential candidate Ekuru Aukot filed a petition on Friday against the deployment of Kenyan forces, arguing that the law allowing the president to do so conflicted with articles of the constitution.

Aukot’s petition also faulted President William Ruto for agreeing to lead the international peacekeeping mission while Kenya struggles with security issues arising from militant attacks and most recently ethnic clashes.

—Associated Press

MYANMAR

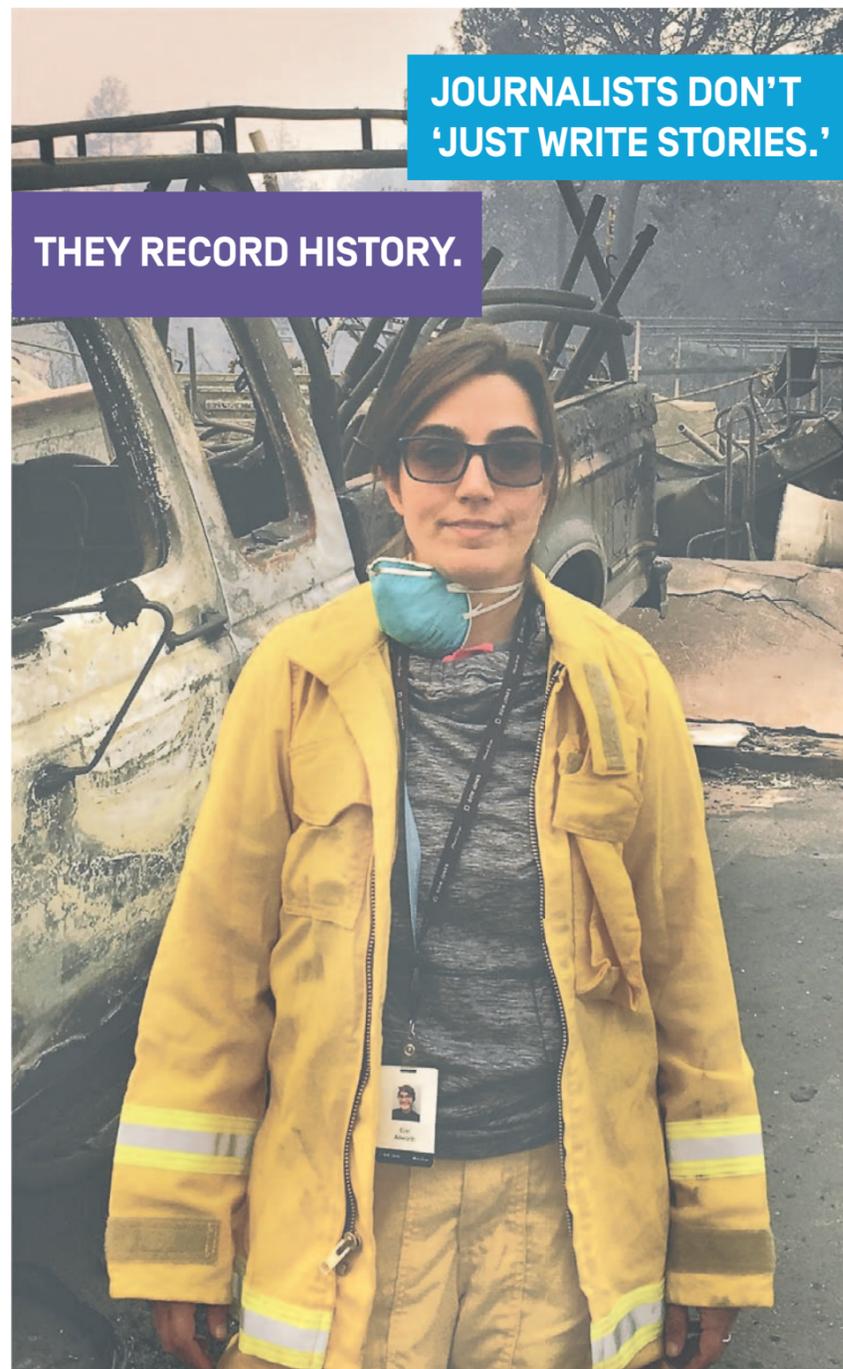
Flooding Displaces 14,000 People

Flooding triggered by heavy monsoon rains in Myanmar’s southern areas has displaced more than 14,000 people and disrupted traffic on the rail lines that connect the country’s biggest cities, officials and state-run media said Monday.

State television MRTV reported Monday that the number of displaced people in Bago township, about 42 miles northeast of Yangon, the country’s biggest city, had climbed to that figure, and they were taking shelter in 36 relief camps. It said almost 1,000 more people in Mon state’s township, just east of Bago, were sheltering in three relief camps, and there were some evacuations in a northern part of Yangon.

A senior official at the Ministry of Social Welfare, Relief and Resettlement, Lay Shwe Zin Oo, said that constant rainfall in the Bago region that began last week caused the flooding in the low-lying areas of its capital, Bago township. She said there were no casualties reported so far.

—Associated Press



JOURNALISTS DON'T 'JUST WRITE STORIES.'

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Americans and Europeans continue to curtail purchases of consumer goods, driving down shipping rates.

Rates to Ship Cargo by Sea Slump as Demand Weakens

Prices are down as much as 90% from early 2022, as carriers cancel sailings

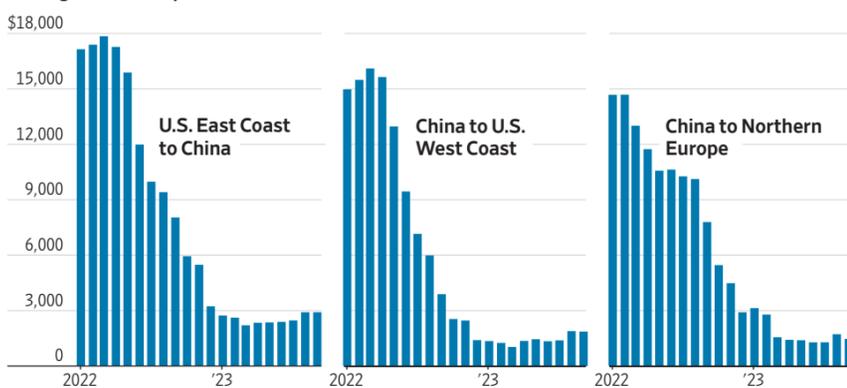
By COSTAS PARIS

It has been an anemic peak season for ocean freight haulers as container shipping rates have plunged from pandemic highs and Americans and Europeans continue to pull back on purchases of consumer goods.

Daily market prices to move cargo from Asia to the U.S. and Europe in September were down as much as 90% from early 2022, a bad sign for ship operators since voyages are often unprofitable at current rates.

The largest container carriers have responded by canceling sailings en masse this year, mainly on the route from ports in China to the U.S. West Coast, according to data from shipping platform Xeneta. More cancellations are planned this month following the Golden Week holiday in

Average cost to ship a 40-foot container



Source: Shanghai Containerized Freight Index/Braemar

China where manufacturing sites were idled, say boxship executives and brokers.

Ship operators are also mothballing vessels to keep operating costs down, resulting in a 7% reduction in container capacity in September compared with a year ago, said Peter Sand, chief analyst at Norway-based Xeneta.

Companies such as **A.P. Moller-Maersk**, **Mediterranean Shipping** and **CMA CGM** have been bracing for leaner

times this year after Covid delivered a surge in business and profits for their operations. Maersk, which is seen as a bellwether for global trade, posted in August a second-quarter profit of \$2.9 billion, compared with \$10.3 billion in the same period last year.

The cheaper rates benefit shipping clients such as large retailers, which faced steep price increases for ocean-freight transportation and capacity restrictions during the

Covid-19 pandemic.

Ocean-freight movement is a key component of global trade, and the slowdown in activity illustrates how large shippers are increasingly cautious about product orders. Containerships move more than 95% of manufactured goods.

In normal years retailers such as Amazon.com, Target and Walmart bring in larger amounts of cargo in the sum-

Please turn to page B2

Activist Peltz Grows Impatient With Disney, Iger

By ROBBIE WHELAN AND JESSICA TOONKEL

Nelson Peltz said his proxy fight against **Disney** was over in February, but Bob Iger knew the activist investor might return.

Peltz and the Disney CEO remained in direct contact this year, and Iger sought to reassure him that Disney's \$5.5 billion in budget cuts and elimination of 7,000 jobs were progressing quickly, according to people familiar with the matter.

Iger spoke to Peltz, co-founder of **Triam Fund Management**, on the phone in May after Disney's second-quarter earnings report, in which the company reported that it reduced losses in its streaming business, and tried to reassure him that the cost-saving plan was working, these people said.

As the share price declined over the summer, however, the Triam team lost confidence in

Disney's ability to right the ship, even as the company's board in July extended Iger's contract through 2026, according to people familiar with the matter.

When Wall Street analysts began reducing their target price for Disney shares, it caught Peltz's attention and contributed to his sense that Disney wasn't on a path to financial health, according to people familiar with the matter. The company's stock closed at \$78.32 last Wednesday, its lowest level in more than nine years.

The activist is seeking several board seats, including one for Peltz, and wants the board to be more focused, accountable and aligned with shareholder interests, The Wall Street Journal reported Sunday.

Disney shares, which have traded under \$100 for most of the year, rose 2.1% to \$84.70 Monday, more than the S&P

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AI's Costly Buildup Poses a Price Problem

By TOM DOTAN AND DEEPA SEETHARAMAN

Tech companies are touting new AI technology that can spit out business memos or computer code. They are still figuring out how those products will generate a profit.

Generative artificial-intelligence tools are unproved and expensive to operate, requiring muscular servers with expensive chips that consume lots of power. **Microsoft**, **Google**, **Adobe** and other tech companies investing in AI are experimenting with an array of tactics to make, market and charge for it.

Microsoft has lost money on one of its first generative AI products, said a person with knowledge of the figures. It and Google are now launching AI-backed upgrades to

their software with higher price tags. **Zoom Video Communications** has tried to mitigate costs by sometimes using a simpler AI it developed in-house. Adobe and others are putting caps on monthly usage and charging based on consumption.

"A lot of the customers I've talked to are unhappy about the cost that they are seeing for running some of these models," said Adam Selipsky, the chief executive of **Amazon.com's** cloud division, Amazon Web Services, speaking of the industry broadly.

It will take time for companies and consumers to understand how they want to use AI and what they are willing to pay for it, said Chris Young, Microsoft's head of corporate strategy.

Please turn to page B4

Evergrande Investors Warn of a 'Collapse'

By FRANCES YOON AND REBECCA FENG

China Evergrande's 11th-hour cancellation of a restructuring affecting more than \$19 billion of its international bonds could lead to a messy collapse and have "a catastrophic effect" on other troubled companies in the sector, its bond investors said Monday.

The Chinese property giant abandoned a bond restructuring deal late last month after spending almost two years in discussions with its investors. Evergrande said regulators had barred it from issuing new securities—a key feature of the restructuring—because its main onshore real-estate subsidiary was being investigated.

But in a statement, a group of investors holding some of Evergrande's bonds raised doubts about how hard the

company had tried to win the support of regulators and questioned why it had repeatedly assured them that the deal had been approved. The investors said that unless Evergrande convinces regulators to allow the deal to go ahead, it is on course to be wound up at a hearing on Oct. 30.

"This will likely lead to the uncontrolled collapse of the group," wrote the investors, who hold more than \$6 billion of Evergrande's bonds in notional terms.

Evergrande didn't respond to a request for comment.

Chinese property companies defaulted on a principal amount of around \$30 billion last year, according to S&P Global Ratings, and most of those companies are still negotiating with investors.

Early Tuesday, **Country Garden**, the country's largest

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INSIDE



AUTOS

Nearly 4,000 members of the UAW went on strike at Volvo's Mack Trucks unit. **B3**



COMMODITIES

In a bullish sign for China's property market, iron-ore prices are up sharply. **B10**

MRI Machines, Migraine Drugs Blitz Social-Media Accounts

By SARA ASHLEY O'BRIEN

All over social media, stars are dressed in medical scrubs, showing off MRI machines as if they were shiny new cars.

"I'd heard the buzz and I wanted in," Catt Sadler, the podcaster and former E! News host, wrote on Instagram this August, making her one of more than 100 celebrities and influencers to post about the devices this year.

Their photos are from clinics owned by **Prenuvo**, a five-year-old company that is courting content creators to promote awareness of its \$2,500 full-body scans, according to past job listings. It is a strategy that many pharmaceutical companies, medical providers and health-tech startups have been using to boost their visibility in recent years. These companies have also increased spending on social-media ad-



Lady Gaga is promoting Nurtec ODT, a migraine medication.

vertising in the past few years. With pharmaceuticals, influencers are getting paid to promote the drugs on behalf of manufacturers and must cite any associated risks in their promotions, according to Food and Drug Administration

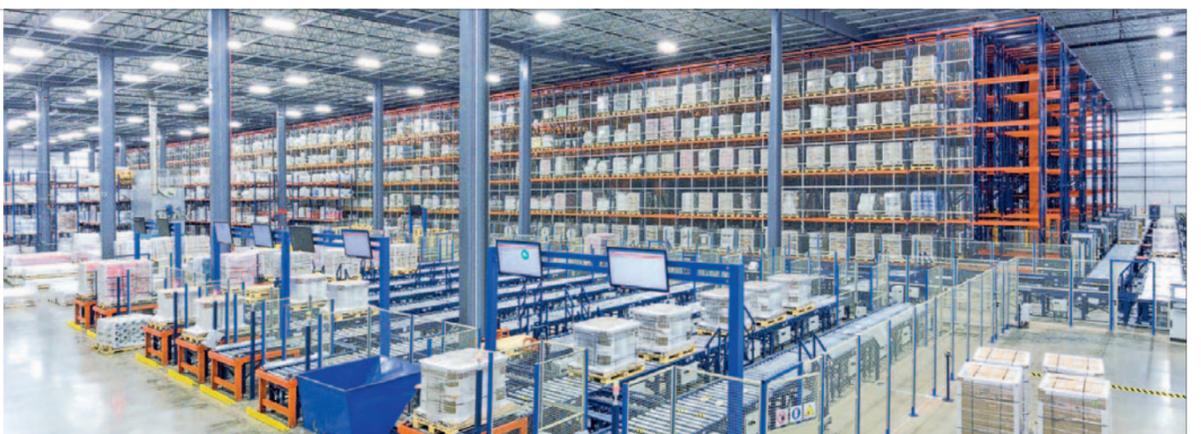
guidelines. Social-media posts about services like Prenuvo are more opaque: Influencers may share their experiences in exchange for free or discounted rates—an agreement the Federal Trade Commission says

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BUSINESS & FINANCE

Duty-Free Titan Devoted Nearly All of His Fortune to Philanthropy

By JAMES R. HAGERTY

What's a billionaire to do if he doesn't want yachts or mansions, is disinclined to spend more than \$15 on a watch and is satisfied with economy class even on long flights?

For Charles Feeney, the answer was obvious—he gave nearly all of his money away and got that done while still alive.

OBITUARY CHARLES FEENEY 1931-2023

A co-founder of what became the international retailer Duty Free Shoppers, Feeney made billions of dollars by operating a global network of shops selling liquor, perfume, jewelry and other items at tourist hubs. Much of his success, he said, was “dumb luck,” and he didn't need a vast fortune to support his modest tastes. So he created a group of foundations that gave away about \$8 billion. He kept around \$2 million to cover his retirement.

“I concluded that if you hung on to a piece of the action for yourself you'd always be worrying about that piece,” Feeney told *Forbes* magazine in 2012. “People used to ask me how I got my jollies, and I guess I'm happy when what I'm doing is helping people and unhappy when what I'm doing isn't helping people.”

Feeney died Monday in San Francisco at the age of 92, according to an announcement from Atlantic Philanthropies, a charitable organization he founded.

In recent years, he lived with his wife in an apartment in San Francisco and enjoyed watching baseball.

His giving largely reflected his experiences and causes he read or heard about on his travels. He gave nearly \$1 bil-



Charles Feeney and his wife, Helga, in 2011.

lion to his alma mater, Cornell University, including \$350 million for the Cornell Tech campus on Roosevelt Island in New York.

An Irish-American, he gave large amounts to Irish universities and for efforts to promote peace between Catholics and Protestants in Northern Ireland. Friendship with the Australian tennis player Ken Fletcher helped spur gifts in Australia. Feeney's travels in Vietnam inspired giving for hospitals and schools there. He also supported social causes including efforts to abolish the death penalty and provide universal healthcare.

Charles Francis Feeney, the middle of three children, was born April 23, 1931, and grew up in Elizabeth, N.J. His father worked as an insurance underwriter and his mother as a nurse, according to “The Billionaire Who Wasn't,” a 2007 biography by Conor O'Clery. His mother set an example by regularly offering rides to a disabled neighbor.

As a boy, he earned money by working as a golf caddie, shoveling snow and selling Christmas cards door to door.

After graduating from high school in 1948, he volunteered

for the Air Force and was based in Japan as a radio operator. He studied Japanese, partly by reading comic books.

Discharged by the Air Force in 1952, he used GI Bill benefits to attend Cornell, where he studied hotel management. In his spare time, he made sandwiches and sold them to other students.

Unsure where he wanted to work after graduating from Cornell in 1956, he sailed on a Cunard liner to France and took courses at the Sorbonne in Paris and at a university in Grenoble. Noticing that it was hard to hitch rides in southern Europe, he began holding up a sign reading “English conversations offered.” Cars started stopping for him.

Feeney saw opportunities in serving U.S. Navy personnel stationed in the Mediterranean. He set up a summer camp for children of Navy officers and later—working with a Cornell acquaintance, Robert Warren Miller—began selling duty-free liquor, perfume, cameras and other items to sailors.

The duty-free business expanded as more American tourists flooded Europe. Feeney and Miller began working with and later acquired a

rival firm, Duty Free Shoppers. They opened a shop in Paris and expanded into Asia, where a large part of the business initially was selling duty-free cars to be shipped to the U.S. for American military personnel.

Their duty-free shops in Honolulu and Hong Kong soon were thronged by Japanese tourists. Feeney hired Japanese-American saleswomen who extolled Camus cognac and Nina Ricci perfumes.

Aside from his work at Duty Free Shoppers, Feeney invested in real estate and retailing in Hawaii and Tahiti. He bought homes for his wife and children in Hawaii, France, Canada and Lakeville, Conn., where he made brief stops between business trips.

As profits soared, he discovered that he was “not really into money,” as he told *Pacific Business News* in 1980. He read Andrew Carnegie's 1889 essay “Wealth” and was influenced by the steel tycoon's approach to philanthropy.

In 1982, he set up a foundation later known as the Atlantic Philanthropies and for years made all his gifts anonymously. One reason for that: He didn't want to be hounded by people seeking money.

In 1996, Feeney sold his stake in Duty Free Shoppers in a deal that provided \$1.63 billion to his foundation. Those funds augmented his earlier gifts and were multiplied by investment returns later. He also paid a total of \$26 million to 2,400 long-term employees of the duty-free retailer.

In 2012, Cornell named Feeney an Icon of Industry and, as a joke, presented him with a \$13 Casio watch. Feeney, alluding to his reputation for being a penny pincher, said the gift was “really appreciated because you can always sell these things on eBay.”

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Treatments, MRIs Blitz Social Media

Continued from page B1 needs to be made clear—or decide to do so as happy customers. Scrolling through their posts, it can be hard to tell which is the case.

Andrew Lacy, chief executive of Prenuvo, said that his company sought to create a patient experience so positive, it would lead to word-of-mouth promotion. Prenuvo gives complimentary scans to some celebrities in exchange for promotion. “This is not a traditional, transactional relationship that you might see,” Lacy said. “No one is paid to promote us.” He said that all Prenuvo patients receive a discount code to share with

friends or followers after receiving a scan. Lacy said he wasn't aware of the Prenuvo job listings that mentioned influencer partnerships, which *The Wall Street Journal* found on public job-listing sites and that have since been filled. One for a social media and influencer community manager says the hire would “source for prospective influencers that meet our brand criteria” and “form important relationships with influencers across the social-media platforms that we partner with to create content.” Lacy said most people who are posting about Prenuvo have approached the company themselves and that the majority of the company's outreach is focused on “medical professionals who may well have a social media presence.”

ventive care and the benefits for people who aren't exhibiting symptoms are unproved. Christina Najjar, an influencer known online as Tinx, posted a carousel of photos of herself smiling at a Prenuvo clinic earlier this year. She wrote in a caption that she wanted a “baseline” of her health and “peace of mind.” Spending by health and wellness advertisers on TikTok is up 30% this year compared to 2022, and up 14% and 2% on Meta's Facebook and Instagram respectively according to market-intelligence firm Sensor Tower.



Christina Najjar, an influencer known online as Tinx.

“This is not sponsored and not paid. I paid fully for the scan,” reality star Francesca Farago said in a TikTok post this month. Through a representative, she said, “I had no idea about it until Kim Kardashian posted about it.” Designer Zac Posen, models Miranda Kerr and Lily Aldridge, and actress Jenna Dewan have also posted about going to one of Prenuvo's eight U.S. clinics this year.

In their captions, influencers cite the prohibitive costs and share discount codes using language that can take a promotional tone: “Their mission is to democratize healthcare and change the current medical paradigm from reactive to proactive through early detection,” Dewan wrote on Instagram in June, offering her followers a \$300 discount code. “And the way they do this is by getting the word out there to get more funding, etc!” Dewan couldn't be reached for comment.

Patients have said the scans provided them useful insights about their bodies and health, including detecting cancerous tumors. The FDA said that it doesn't endorse full-body MRI scans for preventive care and the benefits for people who aren't exhibiting symptoms are unproved.

Christina Najjar, an influencer known online as Tinx, posted a carousel of photos of herself smiling at a Prenuvo clinic earlier this year. She wrote in a caption that she wanted a “baseline” of her health and “peace of mind.”

Spending by health and wellness advertisers on TikTok is up 30% this year compared to 2022, and up 14% and 2% on Meta's Facebook and Instagram respectively according to market-intelligence firm Sensor Tower.

Ocean Freight Rates Fall

Continued from page B1 mer months ahead of the year-end shopping season. As a result, carriers deploy more ships to handle the stepped-up demand.

That isn't happening this year, continuing a monthslong trend of rock-bottom prices and weak demand. Wholesale inventories have been ticking down in recent months, but they are well above pre-pandemic levels, a sign that orders for goods may remain depressed for some time.

Other modes of moving freight are also dealing with the fallout from weaker demand and industry shakeouts.

That unease is also trickling down to shoppers. U.S. consumer confidence dropped to a four-month low in September amid concerns about higher prices and a possible recession, though households remained generally upbeat about the labor market. Hiring accelerated, with 336,000 new jobs added in September, the highest monthly increase since January.

A slower peak season has meant that the ports of Los Angeles and Long Beach in California, the country's two biggest entry points for Asian exports, are handling fewer containers.

The average daily freight rate from Shanghai to Los Angeles stood at around \$1,800 a box in September, down from more than \$7,000 in September 2022. Freight rates hit a record \$20,000 a box during the pandemic in 2021.

Big cargo owners can lock in preferable shipping rates under long-term contracts lasting up to a year. But when the spot market collapses, the shippers try to get out of them.

People with knowledge about freight costs for large retailers say they have seen an average 45% decline in ocean-shipping expenses this year. Those people said some retailers are actively negotiating to lower prices agreed to under long-term freight contracts signed last year or earlier this year.



Ocean-freight movement is a key component of trade. The Port of Felixstowe in the U.K.

“There is little visibility going forward. Carriers are fighting with shippers weekly over rates,” said Xeneta's Sand.

Big carriers don't publicly disclose freight-contract details. Figures from Xeneta show that the number of long-term contracts signed over the past three months with big shippers was down 69%.

In a bid to drum up business, shipowners are sending available vessels to the East Coast, giving American importers mainly from Europe some of the lowest transport costs in years.

Another ominous sign for pricing is that more boxships are being delivered over the next year. Fleet capacity for the year through September was up 4.7%, while container trade demand fell 2.3%, according to London-based shipping broker Braemar. Overall fleet capacity is slated to increase 8.3% this year and 8.9% next year, Braemar estimates show.

“Liners are reviewing capacity management to include aggressive demolition, long-term blanked sailings, and considering delaying new-buildings, depending on how distressed the market becomes,” said Braemar container shipping analyst Jonathan Roach.

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BUSINESS NEWS



Union members picket outside a Mack Trucks facility in Hagerstown, Md., on Monday.

UAW Members Go On Strike At Volvo's Mack Trucks Unit

By BOB TITA

Nearly 4,000 members of the United Auto Workers went on strike at **Volvo Group's** Mack Trucks unit after rejecting a five-year contract proposal.

UAW-represented workers at Mack plants in Pennsylvania, Maryland and Florida walked off their jobs after 73% voted down a contract offer on Sunday. The tentative agreement reached a week earlier between the union's bargaining team and the company included 19% raises over the life of the contract, starting with a 10% increase in the first year and a \$3,500 lump-sum bonus for ratifying the contract.

"I'm inspired to see UAW members at Mack Trucks hold-

ing out for a better deal, and ready to stand up and walk off the job to win it," said UAW President Shawn Fain.

Mack President Stephen Roy said the company was surprised and disappointed that the union went on strike, calling the move unnecessary. "We clearly demonstrated our commitment to good-faith bargaining by arriving at a tentative agreement," he said.

The tentative agreement between the company and the union bargaining team allowed for the contract offer to be put to a vote by the union's members.

Mack produces medium- and heavy-duty trucks, particularly for trash collection and construction duties. Sweden's Volvo Group also manufactures Volvo-brand commercial

trucks and construction equipment in the U.S., with those operations based in Greensboro, N.C.

The UAW's previous four-year contract with the company expired on Oct. 1. The union said it plans to push for higher pay increases, improved cost-of-living allowances, upgraded job security and better pension benefits.

About 25,000 UAW members at Detroit's automakers—General Motors, Ford Motor and Chrysler parent Stellantis—remain on strike as the union negotiates new four-year labor agreements. Walkouts began in mid-September and have expanded to include five assembly plants and dozens of parts-distribution centers.

Wage increases and cost-of-

living adjustments also have been at issue during the talks in Detroit. The companies have proposed increases of about 20% over four years, Fain said Friday, while the union had been pressing for a 40% bump. Retirement benefits and job security also have been priorities of union leaders.

On Friday, the union held off on calling further walkouts at the automakers' plants, citing progress in the talks. Fain said GM agreed to include battery-production work in the UAW's national bargaining agreement, which he said would help maintain higher levels of pay at new battery factories popping up across the South and Midwest.

—Mike Colias contributed to this article.

CNN Boss Prods Network on Digital

By ISABELLA SIMONETTI

CNN Chief Executive Mark Thompson told staff that the network needs to step up its digital game, saying conventional TV "can no longer define us," and said its journalists shouldn't be distracted by debates about balance or false equivalency.

Speaking to employees in a video message on Monday, his first official day at CNN, Thompson said he would draw on his earlier experience as chief executive of the New York Times to modernize the network.

"For most people under retirement age, the first place they turn for news is their phones, not their TVs. And news players who can't or won't respond to that revolution risk losing their audience

and their business," Thompson said.

He said CNN needs to act swiftly, and that despite some progress, such as the recent launch of CNN Max—a collection of programming from the network on the Max streaming service—"this company is still nowhere near ready for the future."

"TV is vital and there's urgent work to do there, especially as we rebuild prime time. But TV is also too dominant at CNN and digital too marginal," Thompson said.

CNN has some formidable digital assets, including one of the most trafficked news sites on the web. In October 2022, the network hired Athan Stephanopoulos, the former president of NowThis, a news outlet focused on young audiences, to serve as its chief digital officer.

ABC News, Ex-Producer Settle Misconduct Suit

By JOE FLINT

ABC News has resolved a legal fight with former "Good Morning America" producer Kirstyn Crawford, who had accused the network's news division of turning a blind eye to allegations of misconduct and harassment by Michael Corn, a former senior news executive.

ABC filed a stipulation of dismissal with prejudice on Friday in New York state court of Crawford's suit against ABC News and Corn, a former "Good Morning America" executive producer, who Crawford accused of improper sexual contact during a 2015 business trip to Los Angeles. Crawford's team also signed the filing. The lawsuit has been dismissed for both ABC News and Corn.

Corn has consistently denied Crawford's accusations,

calling them fabrications. He referred a request for comment on the stipulation to dismissal to his lawyer, who declined to comment. Corn, who left ABC News in April 2021, is now president of NewsNation, the cable-news channel owned by Nexstar Media Group.

In a joint statement, ABC News thanked former producer Crawford for "courageously speaking out about her experience at ABC News," which is a unit of **Disney's** ABC. Ms. Crawford in turn thanked ABC News for its "prompt response to her formal complaint in 2021."

Terms of the resolution weren't disclosed.

Crawford filed her suit against ABC News and Corn in August 2021, six years after the alleged incident occurred.

Crawford left ABC News at the end of 2021.



A key factor in the company's growth has been volume gains after the Bud Light scandal.

Molson Coors Unveils Plan For \$2 Billion in Buybacks

By MARK MAURER

Molson Coors Beverage secured a credit-rating upgrade and unveiled a plan for \$2 billion in share buybacks, moves that follow rising volumes and cash flows in part aided by the aftermath of the Bud Light backlash.

The Chicago maker of Coors Light and Miller Lite beer last week said its board approved a program to repurchase \$2 billion in shares over the next five years. The move could signal a sharp increase in the pace of buybacks for the company, which bought back \$51.5 million in shares in 2022. Also, S&P Global Ratings last week lifted its credit rating by one notch to BBB, two notches above speculative grade, citing the recent paring of its debt load and ability to further lower its leverage amid the planned repurchases.

Molson Coors' ratio of net debt to earnings before interest, taxes, depreciation and amortization stood at 2.5 times as of June 30, down from 4.8 times at the end of 2016, after buying the rest of its MillerCoors LLC U.S. joint venture in a \$12 billion deal. The company aims to stay be-

low 2.5 times for the foreseeable future.

Molson Coors in August reported net sales in the second quarter rose 11.8% to \$3.27 billion from the prior-year period. Its net income was \$342.4 million, compared with \$47.3 million a year earlier.

A key factor in the brewing company's growth in recent months has been volume gains following backlash from Bud Light's April collaboration with a transgender social-media influencer. Bud Light's U.S. volumes have been declining about 30% a month since then and haven't shown signs of improvement, said Gerald Pascarelli, a senior vice president of consumer equity research at financial-services firm Wedbush Securities. Molson Coors remains the largest beneficiary of the scandal as its volumes exceed historical levels.

"Certainly the Bud Light situation has helped, but it wasn't this windfall that sort of fell into our laps," Chief Financial Officer Tracey Joubert said. "The work that we've been doing over the last 3½ years was to get all of our brands strong and help consumers to turn to us when they could have gone any-

where," she said, referring to investments in its supply chain and marketing.

The company plans to step up its shareholder rewards now that it has reduced significant debt and is generating strong cash flows, Joubert said. Molson Coors in recent years has largely allocated capital to debt reduction and investments in its brands and breweries.

The credit-rating upgrade will help the company obtain lower interest rates to refinance debt, invest in commercial paper and hedge risks from volatility in commodities and currencies, Joubert said.

Coors Light and Miller Lite collectively surpassed Bud Light in industry share for the first time in decades in late 2022, Molson Coors said. So far this year, the combined brands are more than 50% larger than Bud Light in the U.S., Chief Executive Gavin Hattersley said on an Oct. 3 call with analysts, adding the two brands' revenue grew by a double-digit percentage year-to-date. The company is confident the impact of the Bud Light situation will mark a permanent shift, Hattersley said.

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TECHNOLOGY

Costly AI Build Poses Puzzle

Continued from page B1

“We’re clearly at a place where now we’ve got to translate the excitement and the interest level into true adoption,” he said.

Building and training AI products can take years and hundreds of millions of dollars, more than with other types of software.

AI often doesn’t have the economies of scale of standard software because it can require intense new calculations for each query. The more customers use the products, the more expensive it is to cover the infrastructure bills. These running costs expose companies charging flat fees for AI to potential losses.

Microsoft used AI from its partner **OpenAI** to launch GitHub Copilot, a service that helps programmers create, fix and translate code. It has been popular with coders—more than 1.5 million people have used it and it is helping build nearly half of Copilot users’ code—because it slashes the time and effort needed to program.

It also has been a money loser because it is so expensive to run.

Individuals pay \$10 a month for the AI assistant. In the first few months of this year, the company was losing on average more than \$20 a month per user, according to a person familiar with the figures, who said some users were costing the company as much as \$80 a month.

Microsoft and GitHub didn’t respond to requests for comment on whether the service is earning money. The profitability picture for GitHub Copilot and other AI-powered assistants will change if computing costs come down.

Microsoft is going with a higher price for its next AI software upgrade. On top of regular monthly charges—



Chairman and CEO Shantanu Narayen, in beige, and other Adobe executives unveiled a family of generative AI models at a company event in March.

starting at around \$13 for the basic Microsoft 365 office-software suite for business customers—the company will charge an additional \$30 a month for the AI-infused version. The AI-powered feature can be instructed to compose emails, create PowerPoint presentations and build Excel spreadsheets independently.

Google, which is releasing a similar AI assistant feature for its workplace software, will also be charging \$30 a month on top of the regular subscription fee, which starts at \$6 a month.

Microsoft, Google and others have gone with a flat monthly rate, betting that the higher additional charges will more than cover the average expenses of running the technology.

One of the reasons the services can be so costly is some use the most potent AI models available, which require more

power and put more strain on computer processors to operate than standard software or cloud services.

Microsoft, for example, is using OpenAI’s latest software for its AI features. The version, called GPT-4, is among the largest and most costly AI models available.

Using it to summarize an email is like getting a Lamborghini to deliver a pizza.

“They require massive compute power,” said Jean-Manuel Izaret, the head of the marketing sales and pricing practice at Boston Consulting Group. “They require massive intelligence.”

Microsoft has been exploring using less powerful and

cheaper AI tools for its Bing search engine, including some built with **Meta Platforms’** open-source AI software, said people familiar with the discussions.

The Information, a technology-focused news outlet, earlier reported that Microsoft was considering other tools for Bing.

Zoom has developed a smaller, cheaper software for its AI assistant, powered by multiple models, including those made by OpenAI and Meta. It only uses the most powerful AI for the most difficult tasks.

Zoom doesn’t have to charge extra for the tool, which can summarize meetings and compose chat mes-

sages, because it avoids expensive AI when it can, said Smita Hashim, Zoom’s head of product, who has also worked at Microsoft and Google.

“We are pretty amazed and shocked at the big price tickets we are seeing from some of the competitors,” she said.

Adobe uses a system of credits to help ensure its AI image generator, Firefly, won’t put it into the red. Once Adobe customers go over their allotted monthly credits, the company slows down the speed of the service to discourage overuse. “We are trying to provide great value but also protect ourselves on the cost side,” Adobe CEO Shantanu Narayen said.

Companies expect generative AI to get cheaper over time, as happened with many technologies, including cloud storage. New chips and other innovations will likely drive the processing costs down.

OpenAI lowered the price it charges for using its older AI earlier this year. Its free viral chatbot ChatGPT uses an older version of its software. Customers who want a ChatGPT powered by its latest version have to pay \$20 a month.

The uncertainty about moneymaking models scared off investors. The shares of companies connected to AI have soared this year. OpenAI is talking to investors about a share sale that would value it at as much as \$90 billion, roughly triple its level earlier this year.

The rising valuations reflect enthusiasm about the promise of AI, said May Habib, CEO of Writer, which builds generative AI tools for enterprise companies. She said executives will soon be taking a harder look at the costs. “Next year, I think, is the year that the slush fund for generative AI goes away,” Habib said.

1.5M

Number of people who have used Microsoft’s AI coding tool GitHub Copilot

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Alex Hussey



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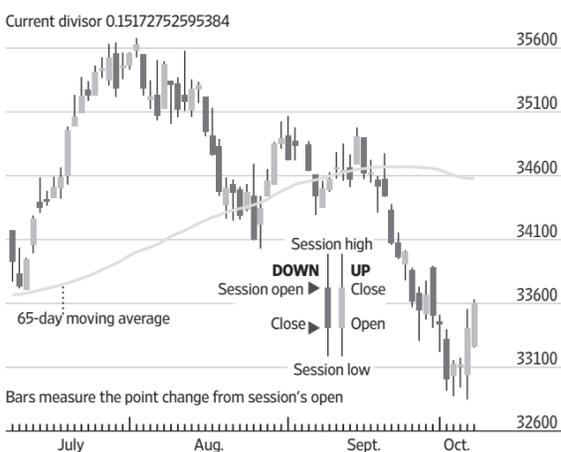
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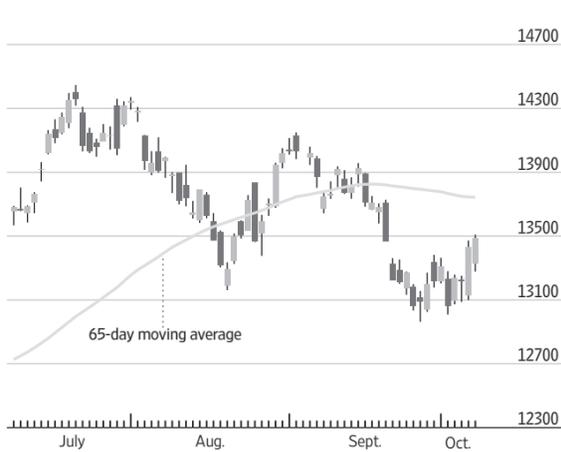
S&P 500 Index

4335.66 ▲27.16, or 0.63%
 High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

13484.24 ▲52.90, or 0.39%
 High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Dow Jones									
Industrial Average	33631.81	33253.69	33604.65	197.07	0.59	35630.68	29202.88	15.1	1.4
Transportation Avg	14982.37	14660.06	14941.05	133.32	0.90	16695.32	12429.60	19.2	11.6
Utility Average	810.42	797.66	810.30	10.16	1.27	1002.11	783.08	-6.5	-16.2
Total Stock Market	43208.55	42631.80	43141.54	270.55	0.63	45969.67	36056.21	18.5	12.0
Barron's 400	964.50	951.99	962.17	8.37	0.88	1036.97	862.18	10.5	4.5

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Nasdaq Stock Market									
Nasdaq Composite	13509.30	13277.48	13484.24	52.90	0.39	14358.02	10213.29	27.9	28.8
Nasdaq-100	15070.64	14816.32	15047.15	73.91	0.49	15841.35	10679.34	37.7	37.5

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
S&P									
S&P 500 Index	4341.73	4283.79	4335.66	27.16	0.63	4588.96	3577.03	20.0	12.9
MidCap 400	2480.37	2442.28	2473.99	18.56	0.76	2728.44	2245.21	9.4	1.8
SmallCap 600	1136.96	1118.03	1133.49	9.49	0.84	1315.82	1089.14	3.6	-2.1

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Other Indexes									
Russell 2000	1761.02	1735.73	1755.99	10.44	0.60	2003.18	1682.40	3.8	-0.3
NYSE Composite	15336.52	15166.50	15318.08	104.05	0.68	16427.29	13546.80	11.9	0.9
Value Line	530.95	523.77	529.87	2.96	0.56	606.49	495.91	5.5	-1.2
NYSE Arca Biotech	5034.85	4938.33	5004.63	-30.22	-0.60	5644.50	4537.71	10.3	-5.2
NYSE Arca Pharma	901.17	888.04	897.02	4.03	0.45	925.61	744.66	20.5	3.4
KBW Bank	76.40	75.14	76.16	0.08	0.10	115.10	71.96	-21.3	-24.5
PHLX ^S Gold/Silver	109.32	108.18	108.94	2.28	2.14	144.37	96.42	6.9	-9.9
PHLX ^S Oil Service	93.48	91.22	93.02	4.10	4.61	98.76	66.59	37.4	10.9
PHLX ^S Semiconductor	3475.39	3414.30	3467.35	-7.86	-0.23	3861.63	2162.32	52.4	36.9
Cboe Volatility	19.60	17.56	17.70	0.25	1.43	33.63	12.82	-45.5	-18.3

†Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Finl Select Sector SPDR	XLF	11,744.0	33.03	-0.03	-0.09	33.11	33.01
SPDR S&P 500 ETF Trust	SPY	8,967.8	432.17	-0.12	-0.03	432.51	421.45
iSh MSCI USA ESG Select	SUSA	5,846.7	91.15	0.61	0.67	91.15	88.74
Sutro Biopharma	STRO	3,997.1	3.87	0.04	1.04	3.87	3.81
Invesco KBW Bank ETF	KBWB	3,124.3	38.98	...	unch.	38.98	38.98
VanEck Gold Miners	GDX	2,884.8	27.57	0.03	0.11	27.62	27.54
Vanguard Financials ETF	VFH	2,648.0	79.79	-0.18	-0.23	79.97	79.79
Immunic	IMUX	2,631.1	2.08	0.49	30.82	2.10	1.46

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Immunic	IMUX	2,631.1	2.08	0.49	30.82	2.10	1.46
SMX (Security Matters)	SMX	194.2	2.06	0.37	21.89	2.08	1.61
Akero Therapeutics	AKRO	132.0	58.50	9.96	20.52	60.40	48.54
Roivant Sciences	ROIV	314.4	11.14	0.51	4.80	11.14	10.52
Cullinan Oncology	CGEM	558.0	9.15	0.40	4.57	9.15	8.75

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Ventyx Biosciences	VTYX	476.4	23.87	-6.13	-20.43	32.67	21.55
PagerDuty	PD	79.4	20.35	-1.48	-6.78	21.83	19.52
Ferguson	FERG	69.4	159.53	-6.94	-4.17	166.47	159.53
BorgWarner	BWA	93.5	38.03	-1.44	-3.65	39.47	38.03
Archer Aviation	ACHR	188.4	5.01	-0.16	-3.09	5.23	4.98

Trading Diary

Volume, Advancers, Decliners

Index	NYSE	NYSE Amer.
Total volume*	738,660,785	8,311,501
Adv. volume*	478,446,177	4,470,872
Decl. volume*	244,371,639	3,717,551
Issues traded	2,955	324
Advances	1,962	170
Declines	912	139
Unchanged	81	15
New highs	28	2
New lows	19	10
Closing Arms ¹	1.18	1.17
Block trades*	3,676	92

*Primary market NYSE, NYSE American, NYSE Arca only. †(TRN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	656.67	2.63	0.40	8.5
	MSCI ACWI ex-USA	284.06	-0.03	-0.01	1.0
	MSCI World	2858.71	13.48	0.47	9.8
	MSCI Emerging Markets	935.42	-1.92	-0.20	-2.2
Americas	MSCI AC Americas	1640.63	10.49	0.64	12.6
Canada	S&P/TSX Comp	19246.07	...	Closed	-0.7
Latin Amer.	MSCI EM Latin America	2177.44	12.78	0.59	2.3
Brazil	BOVESPA	115156.07	986.44	0.86	4.9
Chile	S&P IPSA	3191.09	...	Closed	0.6
Mexico	S&P/BMV IPC	49297.15	-369.35	-0.74	1.7
EMEA	STOXX Europe 600	443.79	-1.14	-0.26	4.4
Eurozone	Euro STOXX	432.74	-2.88	-0.66	5.6
Belgium	Bel-20	3480.05	-10.39	-0.30	-6.0
Denmark	OMX Copenhagen 20	2099.51	-13.04	-0.62	14.4
France	CAC 40	7021.40	-38.75	-0.55	8.5
Germany	DAX	15218.11	-101.66	-0.67	8.7
Israel	Tel Aviv	1728.49	16.33	0.95	-3.8
Italy	FTSE MIB	27682.06	-128.55	-0.46	16.8
Netherlands	AEX	726.00	-0.70	-0.10	5.4
Norway	Oslo Bors All-Share	1490.60	37.66	2.59	9.4
South Africa	FTSE/JSE All-Share	71648.39	-8.86	-0.01	-1.9
Spain	IBEX 35	9151.30	-84.50	-0.91	11.2
Sweden	OMX Stockholm	783.75	-7.96	-1.01	0.2
Switzerland	Swiss Market	10822.24	-15.35	-0.14	0.9
Turkey	BIST 100	8193.44	-271.49	-3.21	48.7
U.K.	FTSE 100	7492.21	-2.37	-0.03	0.5
U.K.	FTSE 250	17572.06	-160.26	-0.90	-6.8
Asia-Pacific	MSCI AC Asia Pacific	154.93	0.25	0.16	-0.5
Australia	S&P/ASX 200	6970.20	16.03	0.23	-1.0
China	Shanghai Composite	3096.92	-13.55	-0.44	0.2
Hong Kong	Hang Seng	17517.40	31.42	0.18	-11.4
India	S&P BSE Sensex	65512.39	-483.25	-0.73	7.7
Japan	NIKKEI 225	30994.67	...	Closed	18.8
Singapore	Straits Times	3166.51	-7.88	-0.25	-2.6
South Korea	KOSPI	2408.73	...	Closed	7.7
Taiwan	TAIEX	16520.57	...	Closed	16.9
Thailand	SET	1431.72	-6.73	-0.47	-14.2

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
Turnstone Biologics	TSBX	3.58	1.24	52.99	13.20	1.83	...
M-tron Industries	MPTI	24.25	5.60	30.03	25.16	7.99	55.4
Jin Medical International	ZJYL	17.75	3.98	28.90	29.82	4.84	...
Medigus ADR	MDGS	4.37	0.86	24.50	8.80	3.28	-37.3
Biodexa Pharma ADR	BDRX	4.79	0.88	22.51	694.40	3.51	-99.2
Lithium Amer Argentina	LAAC	7.94	1.34	20.30	8.79	5.07	...
Freeline Therap ADR	FRLN	3.42	0.57	20.00	12.00	2.11	-63.8
Indonesia Energy	INDO	4.07	0.67	19.06	7.84	3.12	-42.8
Chijet Motor	CJET	2.41	0.39	19.31	13.02	1.25	-76.0
enVeno Medical	NVNO	5.73	0.86	17.54	6.49	2.51	-4.5
Natl Western Life CI A	NWLI	486.79	69.60	16.68	488.90	168.04	185.9
Skillsoft	SKIL	16.17	2.22	15.91	43.40	13.85	-51.0
CervoMed	CRVO	7.38	0.97	15.13	14.37	4.14	-13.3
GigaCloud Technology	GCT	9.96	1.29	14.88	18.60	4.14	60.9
Aemetis	AMTX	4.75	0.61	14.73	8.99	1.16	-23.6

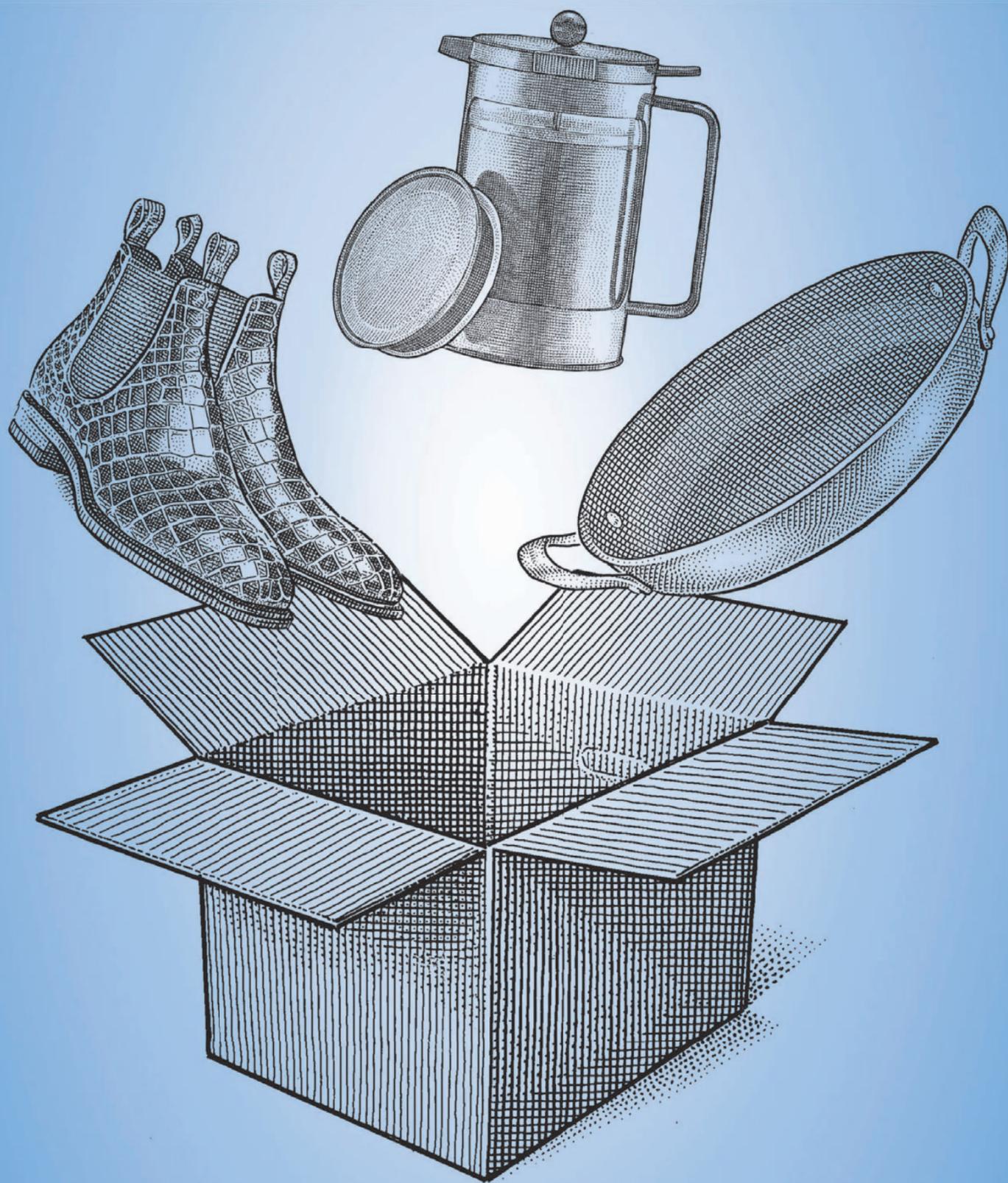
Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Hub Cyber Security	HUBC	279,151	26477.4	0.67	185.96	3.10	0.19
ParaZero Technologies	PRZO	165,910	4251.8	2.70	132.76	4.15	0.56
T2 Biosystems	TTOO	117,800	0.9	0.28	6.51	5.03	0.05
ProSh UltraPro Shrt QQQ	SOQQ	113,045	-10.8	19.06	-1.55	69.55	16.38
Palantir Technologies	PLTR	105,809	71.6	17.61	6.02	20.24	5.92
ProShares UltraPro QQQ	TQQQ	104,907	7.9	37.90	1.47	47.14	16

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COMMODITIES

Futures Contracts

Metal & Petroleum Futures						
	Contract		Open		Open	
	Open	High	Low	Settle	Chg	interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
Oct	3.6430	3.6540	3.6425	3.6425	0.0180	1,228
Dec	3.6275	3.6370	3.6135	3.6460	0.0185	132,165
Gold (CMX) -100 troy oz.; \$ per troy oz.						
Oct	1842.50	1861.50	1842.50	1849.50	19.30	512
Nov	1850.70	1867.80	1849.10	1855.70	19.00	1,341
Dec	1861.00	1877.30	1857.50	1864.30	19.10	366,591
Feb'24	1880.00	1896.30	1876.80	1883.50	19.10	33,347
April	1900.50	1913.20	1895.60	1902.10	19.20	16,137
June	1919.20	1933.40	1914.80	1920.70	19.10	9,095
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Oct				1135.40	-28.80	1
Dec	1166.00	1169.50	1116.50	1131.90	-31.20	18,964
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
Oct	876.40	880.70	876.40	879.20	7.50	96
Jan'24	884.60	896.90	877.50	888.80	7.30	79,851
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
Oct				21.741	0.201	29
Dec	21.940	22.180	21.705	21.924	0.201	106,476
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
Nov	85.25	87.24	84.67	86.38	3.59	240,655
Dec	83.20	85.56	82.95	84.60	3.32	296,301
Jan'24	81.69	83.98	81.35	83.00	3.17	158,752
March	79.15	81.57	78.99	80.51	2.80	96,110
June	76.79	79.25	76.79	78.24	2.49	161,923
Dec	74.22	75.91	74.00	75.17	2.11	147,568
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
Nov	2.9498	3.0258	2.9236	2.9666	0.058	75,393
Dec	2.8709	2.9366	2.8425	2.8783	0.040	61,622
Gasoline-NY RB00 (NYM) -42,000 gal.; \$ per gal.						
Nov	2.2400	2.2788	2.2200	2.2381	0.0459	90,798
Dec	2.2076	2.2501	2.1930	2.2151	0.0535	66,961
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.						
Nov	3.350	3.471	3.322	3.376	0.038	226,663
Dec	3.657	3.756	3.595	3.631	-0.10	103,484
Jan'24	3.878	3.975	3.827	3.846	-0.31	148,711
Feb	3.806	3.892	3.752	3.774	-0.24	52,477
March	3.504	3.588	3.460	3.476	-0.24	135,930
April	3.240	3.325	3.227	3.236	-0.16	88,330

Agriculture Futures						
Corn (CBT) -5,000 bu.; cents per bu.						
Dec	492.00	497.00	487.25	488.25	-3.75	711,413
March'24	507.25	512.00	502.75	503.75	-3.50	265,222
Oats (CBT) -5,000 bu.; cents per bu.						
Dec	425.25	427.75	418.00	420.50	-3.25	2,955
March'24	446.25	446.25	437.75	438.50	-3.75	858
Soybeans (CBT) -5,000 bu.; cents per bu.						
Nov	1267.00	1277.50	1258.25	1264.25	-1.75	309,932
Jan'24	1285.75	1296.25	1277.25	1282.50	-2.00	152,308

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session									
Monday, October 9, 2023					Monday, October 9, 2023				
ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)
CnsmrDiscSelSector	XLY	160.78	0.11	24.5	ISH1-5YIGCorpBd	IGSB	49.83	0.48	0.0
CnsStapleSelSector	XLP	66.73	0.09	-10.5	ISH1-3YTreasBd	SHY	81.05	0.30	-0.1
DimenUSCoreEq2	DFAC	26.29	0.77	8.3	ISHRussMIC	IWR	68.95	0.69	2.2
EnSelSectorSPDR	XLE	88.59	3.34	1.3	ISHRuss100	IWB	237.43	0.63	12.8
FinSelSectorSPDR	XLF	33.06	0.06	-3.3	ISHRuss100Grw	IWF	272.80	0.49	9.9
HealthCareSelSector	XLI	130.46	0.35	-4.0	ISHRuss100Val	IWD	150.73	0.78	-0.6
IndSelSectorSPDR	XLV	102.36	1.57	4.2	ISHRuss2000	IWN	174.00	0.58	-0.2
InvscNasd100	QQQM	360.59	0.53	37.7	ISHSP500Grw	IVG	69.79	0.72	19.3
InvscQQQ	QQQ	156.79	0.51	37.7	ISHSP500Value	IVM	154.04	0.61	6.2
InvscSP500EW	RSP	141.00	0.71	-0.2	ISHSelectDiv	DVY	106.46	1.15	-11.7
ISHCoreDivGrowth	DGRW	49.38	0.80	-1.2	ISH7-10YTreasBd	IEF	91.22	1.28	-4.8
ISHCoreMCIIEAFE	IEFA	63.78	-0.27	3.5	ISHShortTreasBd	SHV	110.16	0.01	0.2
ISHCoreMCIEM	IEMG	47.18	-0.55	1.0	ISH2+YTreasBd	TIP	103.13	0.99	-3.1
ISHCoreMCIETotInt	IEUS	59.40	-0.24	2.6	ISH20+YTreasBd	TLT	86.78	2.35	-12.8
ISHCoreSP500	IIVV	434.21	0.66	13.0	ISHUSTreasuryYd	GOVT	21.96	0.90	-3.3
ISHCoreS&P MC	IJH	246.70	0.75	2.0	ISH3-MTreasBd	SEPI	100.38	0.01	0.2
ISHCoreS&P SC	IJR	92.93	0.85	-1.8	JPMEEquityPrem	JGPI	53.29	0.53	-2.2
ISHCoreS&PTotUS	ITOT	95.05	0.64	12.1	PUMIUSHncrm	JPST	50.06	0.08	-0.1
ISHCoreTotalUSDbd	IUSB	43.50	0.95	-3.2	PacerUSCashCows100	COVZ	49.24	1.88	6.5
ISHCoreUSAggBd	AGG	93.71	1.04	-3.4	ProSHIHPRQQQ	TOQQ	37.90	1.47	119.1
ISHEdgeMSCIIMinUSA	USM	72.83	0.82	1.0	SPDRBB3-MTBT	BIL	91.54	0.01	0.1
ISHEdgeMSCIUSQual	QUAL	134.42	0.77	18.0	SPDR DJIA Tr	DIA	336.09	0.60	1.4
ISHGoldTrf	IAU	35.29	1.88	2.0	SPDR Gold	GLD	172.82	1.84	1.9
ISHiBoxxSHYCPbd	HYG	73.23	1.74	-0.5	SPDRPTDevxUS	SPDW	30.74	-0.03	3.5
ISHiBoxxSIGCPbd	LQD	101.22	1.14	-4.0	SPDRSP500Value	SPVV	41.32	0.56	6.2
ISHMBS	MBB	88.30	1.22	-4.8	SPDRSP500Growth	SPYG	60.44	0.70	19.3
ISHMSCIACWI	ACWI	92.81	0.36	9.3	SPDR S&P 500	SPY	432.29	0.64	13.0
ISHMSCIEAFE	EFA	68.42	-0.15	4.2	SchwabIntEquity	SCHF	33.70	-0.03	4.6
ISHMSCIEM	EEM	37.65	-0.48	-0.7	SchwabUS BrdMkt	SCHB	50.28	0.64	12.2
ISHMSCIEAFEValue	EFV	48.32	-0.08	5.3	SchwabUS Div	SCHD	70.40	1.11	-6.8
ISHNatMumBd	MUB	102.21	0.64	-3.1	SchwabUS Lc	SCHX	51.14	0.65	13.3
					SchwabUS Lc Grw	SCHG	74.73	0.44	34.5

Cash Prices | wsj.com/market-data/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodity in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday		Monday		Monday	
Energy					
Coal,C,Aplc,12500Btu,1.25O2-r,w	74.350				
Coal,Pwdr,RvrBsn,8800Btu,0.85O2-r,w	14.150				
Metals		Metals		Metals	
Gold, per troy oz	1846.00	Copper,Comex spot	3.6425	Wheat,No.2 soft red,St.Louis-u	n.a.
Engelhard industrial	1845.50	Iron Ore, 62% Fe CFR China-s	*119.5	Wheat - Hard - KC (USDA) \$ per bu-u	n.a.
Handy & Harman base	2048.51	Steel, HRC USA, FOB Midwest Mill-s	*715.0	Wheat,No.1 soft white,Portld,OR-u	7.0250
Handy & Harman fabricated	1821.90	Battery/EV metals		Food	
LBMA Gold Price AM	*1819.60	BMI Lithium Carbonate, EXW China, >99.2%-v	22950	Beef,carcass equiv. index	283.72
LBMA Gold Price PM	1934.30	BMI Lithium Hydroxide, EXW China, >56.5%-v	22275	select 1-3,600-900 lbs.-u	258.98
Kruggerand,wholesale-e	1980.57	BMI Cobalt sulphate, EXW China, >20.5%-v	5069	choice 1-3,600-900 lbs.-u	1.1391
Maple Leaf-e	1980.57	BMI Nickel Sulphate, EXW China, >22%-v	4247	Broilers, National comp wtd. avg.-u	3.5000
American Eagle-e	2387.97	BMI Flake Graphite, FOB China, >94.95%-v	563	Butter,AA Chicago-d	157.75
Mexican peso-e	1817.35	Fibers and Textiles		Cheddar cheese,dbl,Chicago-d	170.25
Austria crown-e	1943.55	Burlap,10-oz.40-inch NY yd-n,w	0.7125	Cheddar cheese,blk,Chicago-d	118.50
Austria phil-e	1943.55	Cotton,11/16 std lb-mdMphs-u	0.8471	Milk,Nonfat dry,Chicago lb-d	1.4766
Silver, troy oz.	21.7500	Cotlook 'A' Index-t	*96.65	Coffee,Brazilian,Comp-y	1.7896
Engelhard industrial	21.8050	Hides,hvy native steers piece fob-u	n.a.	Eggs,large white,Chicago-u	1.1650
Handy & Harman base	27.2560	Wool,64s, staple, Terr del-u-w	n.a.	Flour,hard winter KC-p	17.80
Handy & Harman fabricated	*17.2900	Grains and Feeds		Hams,17-20 lbs,Mid-US fob-u	0.92
LBMA spot price	*21.1150	Bran,wheat middlings, KC-u-w	146	Hogs,Iowa-So. Minnesota-u	81.87
(U.S. equivalent)	18698	Corn,No.2 yellow,Cent IL-lp-u	4.5500	Pork bellies,12-14 lb MidUS-u	1.7862
Coins,wholesale \$1,000 face-a		Corn gluten feed,Midwest-u-w	159.2	Pork loins,13-19 lb MidUS-u	1.2229
Other metals		Corn gluten meal,Midwest-u-w	565.3	Steers,Tex.-Okla. Choice-u	n.a.
LBMA Platinum Price PM	*858.0	Cottonseed meal-u-w	350	Steers,feeder,Okla. City-u-w	272.75
Platinum,Engelhard industrial	885.0	Hominy feed,Cent IL-u-w	142	Fats and Oils	
Palladium,Engelhard industrial	1145.0	Meat-bonemeal,50% pro Mnpls-u-w	443	Degummed corn oil, crude wtd. avg.-u-w	n.a.
Aluminum, LME, \$ per metric ton	*2208.0	Oats,No.2 milling,Mnpls-u	4.6050	Grease,choice white,Chicago-h	0.6100
		Rice, Long Grain Milled, No. 2 AR-u-w	n.a.	Lard,Chicago-u	n.a.
		Sorghum, (Milo) No.2 Gulf-u-w	n.a.	Soybean oil, crude,Cent IL-u-w	0.5785
		SoybeanMeal,Cent IL,rail,ton48%-u-w	378.35	Tallow,bleach,Chicago-h	0.6600
		Soybeans,No.1 yllw IL-lp-u	12.2300	Tallow,edible,Chicago-u	n.a.
		Wheat,Spring14%-pro Mnpls-u	8.8100		

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra, Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Sosland Publishing; R=SNL 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 10/6

Source: Dow Jones Market Data

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Money Rates

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.

Inflation			Federal funds			Other short-term rates		
Aug. Index	Chg From (%)	Level	Effective rate	High	Low	Latest	Week ago	-52-Week-High
		July '23						
		Aug. '22						
U.S. consumer price index			5.3400	5.3400	5.3500	5.3400	5.3500	3.0800
All items	307.026	0.44	High	5.6500	5.6500	5.6500	3.2500	
Core	310.103	0.23	Low	5.3100	5.3000	5.3300	3.0500	
			Bid	5.3300	5.3300	5.3300	3.0700	
			Offer	5.3600	5.3600	5.3700	3.0900	
International rates			Treasury bill auction			Commercial paper (AA financial)		
			4 weeks	5.310	5.290	5.840	2.920	
			13 weeks	5.345	5.345	5.345	3.340	
			26 weeks	5.340	5.340	5.350	3.850	
Prime rates			Secondary market			Call money		
U.S.	8.50	8.50	8.50	6.25	30 days	7.171	7.028	7.207
Canada	7.20	7.20	7.20	5.45	60 days	7.201	7.058	7.235
Japan	1.475	1.475	1.475	1.475				
Policy Rates			Fannie Mae			DTCC GCF Repo Index		
Euro zone	4.50	4.50	4.50	1.				

MARKETS & FINANCE

China Property Gets Bullish Sign

Price of iron ore, seen as bellwether, has risen more than 20% since late May

By RHIANNON HOYLE

China's property market is reeling, but you wouldn't know it looking at the price of iron ore.

The commodity is commonly viewed as a bellwether of the economic health of China, which buys 7 of every 10 metric tons of iron ore shipped globally, and especially its property sector, which accounts for roughly one-third of that. (Iron ore is the main ingredient for making steel.) Yet iron-ore prices rose more than 20% since late May even as bad news piled up in China's housing market, where major developers missed interest repayments and new-home sales slumped. The price paid for physical cargoes of iron ore was \$119.45 a ton on Friday, after falling below \$100 a ton earlier this year.

The resilience of iron-ore prices surprised some traders and suggests a temporary reordering of trade flows that could fan concerns about Chinese market power. China produces more than half of the world's crude steel, and its exports at times stoked political tensions, including with the U.S., which levied a 25% tariff on steel imports from China in 2018 on national-security grounds.

China has recently been shipping more of its steel abroad to help plug the gap left by weaker demand from the property sector. Exports were roughly 28% higher on year in the eight months through August, customs data show.

Within China, steel mills—particularly those that are fed with ore rather than scrap—have been churning out steel at a near-record rate. Stockpiles of ore at major Chinese ports are low. Some traders say the rally by iron-ore prices could reflect bets that China will need to turn more aggressive on stimulus if its postpandemic recovery stays lackluster.

"Iron-ore prices act as a gauge of market sentiment toward China's recovery," said Daria Efanova, head of re-



China buys 7 of every 10 metric tons of iron ore shipped globally, much of which goes to make steel for its property sector.

search at Sucden Financial, a London commodities broker. "Resilience above \$110 a ton indicates that the market remains hopeful about the Chinese economy's recovery from the pandemic lows, despite the rest of the world continuing to weaken."

Iron ore is one of the best-performing commodities of the past year, providing an earnings tailwind for mining companies such as **BHP Group** and **Rio Tinto**, for whom digging up the material is their most profitable business.

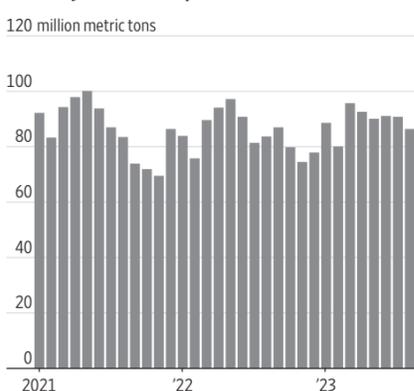
China's steel output has been very strong this year even as steel demand in the country shrunk, said David Cachot, the Singapore head of short-term analytics for metals and mining at Wood Mackenzie.

China's crude-steel output increased by 2.6% on year in the first eight months of 2023, according to the World Steel Association, an industry group.

"Several factors have contributed to this resilience, including the anticipation of government support for the Chinese economy, an uptick in China's steel exports and a scarcity of domestic steel scrap, all of which have bolstered hot metal production in China," Cachot said.

So far, China has focused on modest steps to support its property market, which in recent years made up as much as one-quarter of the country's economy. Beijing recently loos-

Monthly crude steel production in China



*For 62% iron-content fines delivered to China Sources: World Steel Association (production); S&P Global Commodity Insights (price)

Benchmark spot iron ore price*



ened rules curbing home purchases, while China's central bank and local governments cut mortgage rates and lowered minimum down-payment ratios.

Officials in China said some Western politicians and media are exaggerating its economic challenges and they are working to stabilize the property sector.

Still, the risk of heavily indebted property developer **China Evergrande Group** being pushed into liquidation is a significant concern, said Karun Mittal, head of steel sales and marketing at Indian pipe manufacturer Welspun.

"This is something investors and market watchers are closely monitoring," he said.

"It could have a notable impact on construction demand in the coming months."

Several banks, including Citigroup and London investment bank Liberum, and consulting firm Wood Mackenzie have recently raised price forecasts for iron ore, although some analysts and brokers are split on the outlook.

Wood Mackenzie's Cachot said iron ore's fortunes will remain closely tied to how aggressively Beijing tries to stimulate activity, despite the commodity's recent buoyancy.

A lot also hinges on how China navigates its own objectives for limiting annual steel production, he said.

In each of the past two years, Beijing directed the

country's steel sector to cap production as officials sought to limit carbon emissions from one of its most polluting industries. The order resulted in deep output cuts heading into the end of those years.

Analysts and traders say it remains unclear what will happen this year, as Beijing seeks to nudge the economy back on track. Some steel mills might need to cut output voluntarily anyway, as margins are thin due to weaker steel prices and higher costs of raw materials, including iron ore.

"This is raising questions about how much higher the iron-ore price can go, especially if China does move to cap steel production," Morgan Stanley analysts said.

Country Garden Fails to Make Debt Payment

By REBECCA FENG

HONG KONG—Chinese property giant **Country Garden** failed to make an international debt payment after its apartment sales dropped in September, succumbing to a liquidity crisis that worsened over the past few months.

The developer said it wasn't able to repay a \$60 million loan denominated in Hong Kong dollars that was due. Country Garden said it also doesn't expect to meet all its U.S. dollar bond and other offshore debt obligations when they come due, or within grace periods—effectively saying that it expects to default. The company has hired financial advisers and plans to hold talks with its offshore creditors.

Country Garden said its sales have come under "remarkable pressure," which worsened its problems. The developer's contracted sales in the first three quarters of this year dropped 44% from a year earlier to the equivalent of about \$21 billion. The drop was particularly steep in September, when Country Garden's sales plummeted 81% to \$846 million, it said in a regulatory filing.

The developer is one of the biggest and most surprising casualties of China's deepening housing downturn. Barely a year ago, Foshan-based Country Garden was held up as a "model developer" by Chinese authorities and was widely expected to withstand a broader slump in new-home sales. State-owned banks showered it with credit, and the developer also raised money in Hong Kong by selling shares in late 2022. Country Garden bought land in a public auction earlier this year before its cash started dwindling.

Country Garden had the equivalent of \$187 billion in liabilities as of June this year, including \$15.3 billion in international bonds and loans, financial statements show.

Last month, it narrowly avoided defaulting on its dollar bonds by making interest payments on two securities before the end of a 30-day grace period.

Peltz Grows Impatient

Continued from page B1
500. Peltz's Triam Fund Management has boosted its stake in Disney to around 30 million shares, making the hedge fund one of Disney's largest shareholders.

Iger has made progress with some of his stated goals to reduce costs and make streaming profitable but struggled with others. Since announcing in July that the company is seeking a strategic partner for ESPN, the sports unit has held discussions with a range of organizations, including professional sports leagues and telecom providers.

Elsewhere, an effort to fold Hulu into Disney+ has been slowed by delays, according to people familiar with the matter. Some features designed to attract customers to a planned new Disney+ and Hulu bundle won't be available when the Hulu tile within Disney+ debuts later this year.

Overseas, Disney has begun to have discussions about selling all or a stake of its Disney India business, as The Wall

Street Journal has reported. Iger in July said Disney's traditional TV assets, which include ABC and FX, "may not be core" to the company going forward, which was interpreted by many as hanging a for-sale sign on them.

Here is an update on some of the initiatives Iger has so far set in motion.

ESPN's future

ESPN has said it is preparing to transform the network into a fully direct-to-consumer streaming service in coming years. Meanwhile, Iger has taken steps to bolster ESPN's finances and attract new viewers, especially younger males.

The company has explored pacts with the National Football League and National Basketball Association in which the leagues would supply programming and assets in exchange for small equity stakes in ESPN, according to people familiar with the situation.

In the case of the NFL, the league could contribute assets such as the NFL+ subscription service, which has mobile rights to many games, while

the NBA could contribute the NBA League Pass package, a subscription service that lets fans watch games outside their home markets.

Such partnerships could help ESPN add even more programming to its new app, broadening its appeal. ESPN also has talked to Major League Baseball about a deal that would give it the right to stream local telecasts in some markets.

Those talks are very early, cautioned, and might not go anywhere. Under any such arrangement, Disney, which owns 80% of ESPN, would maintain majority control, and **Hearst**, which owns 20%, would maintain its

stake. ESPN is also exploring adding a distribution partner to help market the new service, and has had talks with **Verizon** and **T-Mobile**.

Hulu hurdles

Iger said in February that Disney might not be interested in buying the remaining third of the Hulu streaming video service it owns with **Comcast** but months later reversed course and said it would pull the service closer to its core Disney+ streaming service.

A plan to integrate Hulu into Disney+ has hit road-bumps and in April was delayed amid companywide cost cuts and layoffs and a growing to-do list for the company's technology-development teams.

The tech team working on integrating the streaming service into Disney+ pushed the project deadline to the end of the year from September, the people said. Key features de-

signed to attract new customers to its newly launched Hulu/Disney bundle have been delayed until March.

When the new Hulu tile launches, it won't include all the content currently on the platform—Disney is still negotiating some licensing agreements for shows and movies. It also won't immediately offer some functionalities, such as personalization of Hulu programming based on a subscriber's past Disney+ viewing, as initially planned.

Disney has projected that these features, as well as one that would prompt viewers to sign up for a new Hulu/Disney+ bundle, could draw as many as 150,000 subscribers to a new Hulu/Disney bundle over the next year and potentially generate millions of dollars in revenue, said a person familiar with the matter.

Streaming Profit

Disney, like its competitors, is struggling to balance the need to cut costs while expanding its streaming services and realizing these two goals can run counter to each other. For Iger, who returned as CEO of Disney last November, being able to make the company's goal of streaming profitability by September 2024 is seen as crucial.

In August, the company unveiled a round of price increases to its streaming products, raising the cost of the ad-free versions of Disney+ and Hulu by more than 20% each in October, the second round of price hikes in about a year.

The latest increase, which takes effect this month, was moved up from December, according to a person familiar with the matter.

Among priorities for the streaming team are rolling out ads internationally and implementing ways to crack down on password sharing.

Investors Warn on Developer

Continued from page B1
developer, said it failed to make an international debt payment after its apartment sales plunged in September, succumbing to a liquidity crisis that worsened over the past few months.

Sunac China Holdings, another developer, won creditors' approval to restructure roughly \$11 billion of dollar debt in September. A Hong Kong judge signed off on the plan last week.

A messy collapse of Evergrande would have ramifications for more than just bondholders. When the company defaulted in late 2021, it was China's most indebted property developer. It owes money to thousands of suppliers and is on the hook to deliver hundreds of thousands of unfinished homes.

Evergrande had the equivalent of more than \$332 billion in liabilities by June, which included money owed to suppliers, unfinished projects and its bond and loan obligations.

The abandoned restructuring plan covered around \$35 billion that it owes creditors, including accrued interest, according to a person familiar with the matter.

The company's struggles have put more pressure on China's economy, which has faltered this year amid a widespread property slump, a decline in exports and a disappointing recovery in consumer spending after Covid-19.

The investor group added that the company's failure to move ahead with a deal would spill over to other Chinese property companies that are

Evergrande's \$4.68 billion bond due 2025



Source: Tradeweb

now in the middle of their own debt negotiations. If regulators don't ultimately approve the deal, "It would render any offshore restructuring of Chinese real-estate companies a mission impossible," the investors said.

A week after Evergrande scrapped its bond restructuring, the company told investors that its billionaire chairman was under investigation for suspected crimes. Evergrande said Chinese authorities were subjecting Hui Ka Yan to "mandatory measures," a euphemism for restricted movement and loss of political rights.

Evergrande also has a wealth-management unit that has helped the developer and its subsidiaries raise around \$13 billion over the years, according to filings. The wealth-management company has halted payments to investors. Last month, police in Shenzhen detained several employees of the unit.

In a restructuring framework published in March, Evergrande said that if the deal doesn't go ahead and the company goes into liquidation, investors are likely to make somewhere between 2 cents and 9 cents for every dollar of bonds they hold.

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MARKETS

Oil Prices, Defense Shares Move Higher

Crisis in Middle East raises concerns about crude supply, drives safety plays

By ERIC WALLERSTEIN

Oil prices and defense stocks climbed after the worst attack on Israel in decades shook financial markets.

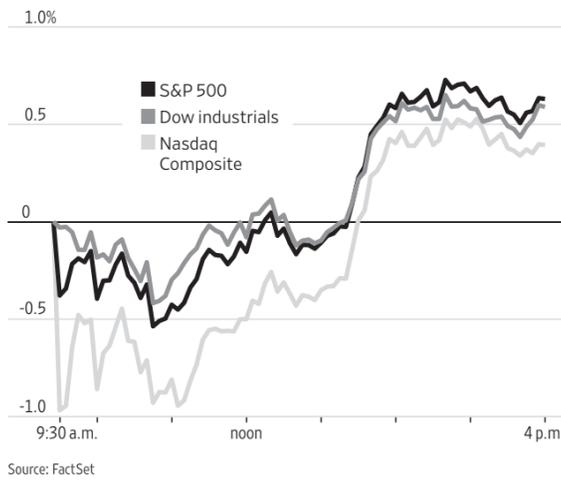
Concerns that the Israel-Hamas war will escalate into a broader conflict in the Middle East that limits oil supply sent energy prices higher. Brent crude futures, the global benchmark for oil, added 4.2%. West Texas Intermediate rose 4.3% to \$86.38 a barrel.

Shares of **Lockheed Martin** gained 8.9% and **Northrop Grumman** climbed 11%, both posting their best days since March 2020. Europe's defense companies, including **BAE Systems** of the U.K. and France's **Dassault Aviation**, were among its best performers.

Investors scooped up haven assets: Gold, often sought after by investors during times of geopolitical conflict, rose 1.1%.

Major stock indexes initially looked set for declines but rebounded in afternoon trading as the Israeli military retook several towns from Hamas control. The S&P 500 added 0.6%, while tech-heavy Nasdaq Composite gained 0.4%. The Dow Jones Industrial Average rose 0.6%.

Index performance Monday



Source: FactSet

"The global diplomatic effort to see this conflict contained so far is working," said Quincy Krosby, chief global strategist for LPL Financial. "That helped underpin the market's turn."

Krosby served as a U.S. diplomat before joining Wall Street, including as the energy attaché at the U.S. Embassy in London. She said escalation was tempered by Iranian officials denying that they helped Hamas plan the invasion.

"Even if Israel does absolutely not believe it, they are wedded to the denial from Iran," she said. "It makes the diplomatic effort easier and keeps this conflict contained."

The war's impact on Wall Street was strongest on shares

of defense companies, energy firms and airlines, but the broader stock market remained unscathed. "I do think investors are sort of used to it when tensions arise in the Middle East, the reactions are just not as extreme as they used to be," said James Demmert, chief investment officer of New York-based Main Street Research, which manages roughly \$2 billion in assets.

Energy stocks benefited from rising oil prices, with the S&P 500's energy sector advancing 3.5% in its best day since April. Shares of **Chevron** and **Exxon Mobil** each added more than 2.5%. **Marathon Oil** and **Occidental Petroleum** both gained more than 4.5%.

Meanwhile, shares of airline



Shares of airlines dropped, with flights to Israel canceled. American Airlines fell 4.1%

companies dropped with flights to Israel canceled: **American Airlines**, **Delta Air Lines** and **United Airlines** all slipped more than 4%. The **U.S. Global Jets ETF** fell 2.6%.

The European benchmark for natural gas surged, reflecting supply worries given Israel's offshore gas field under development for export to Europe. The safest European bonds rallied as yields on benchmark 10-year German and U.K. bonds declined.

The U.S. bond market was closed for the Columbus Day holiday, though the **iShares 20+ Year Treasury Bond ETF**

rose 2.4%, reflecting demand for long-term bonds amid the conflict. Still, without the usual bond-market signals, investors had limited ability to gauge the severity of risk-off sentiment.

"Equity markets are generally bad at pricing in big geopolitical events. It is not their wheelhouse," said Steve Sosnick, chief strategist at Interactive Brokers. "It is hard to discern how these events have any real bearing on earnings, dividends and cash flows broadly."

"The fact that it isn't getting overtly worse is the good

news element," he added.

Israeli markets came under pressure. The shekel weakened to its lowest level against the dollar since 2016. Israeli bonds sold off and the Tel Aviv 35 dropped 6.5% Sunday and extended the decline Monday. The U.S.-traded **iShares MSCI Israel ETF** slid 7.1% to lows not seen since 2020.

Europe's Stoxx 600 fell 0.3%. Asian markets were up strongly early Tuesday. Japan's Nikkei 225 was up 2.5% at midday, while Hong Kong's Hang Seng Index was up 1.8%. S&P 500 futures rose 0.2%.



STREETWISE | By James Mackintosh

War Could Have Bigger Impact on Markets

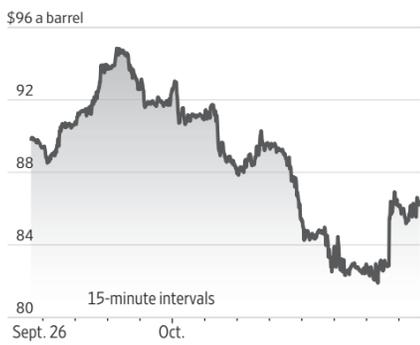
Markets on Monday morning reacted perfectly logically to the most serious attack on Israel in 50 years and the deaths of more than 1,000 Israelis and Palestinians. Oil prices initially rose 3% or so, stock futures fell a bit, gold was up about 1% and Treasury futures rose, lowering yields.

When it comes to the bottom line, even disaster for millions of people doesn't matter, and moves in stocks and Treasuries were smaller than after Friday's jobs report. It is a brutal truth: The carnage turned out to be less important for markets than data from the Bureau of Labor Statistics.

By Monday afternoon, the story changed a bit, with the S&P 500 reversing its loss to close up 0.6% even as Treasury futures kept on rising and oil added to take its gains for the day to more than 4%.

What matters most is the potential for the war to escalate. The most likely first step is a tightening of sanc-

WTI crude-oil futures price, front-month contract



Sources: FactSet (crude oil); Refinitiv (MSCI)

tions against Iran, which helped plan the Hamas attack. That would reverse the easing of tensions with the U.S. that helped Iran increase production by about 0.5 million barrels a day over the past year. Goldman Sachs estimates that every 0.1-million-barrel-a-day cut to Iranian production next year would raise the oil price by \$1.

The war may derail the improving relations between

MSCI USA Oil, Gas & Consumable fuel sector 12-month forward earnings per share



Saudi Arabia and Israel, which could have helped cap oil prices under a U.S. military deal with the kingdom.

The real escalation would be if Iran and Israel were drawn into direct conflict. So far, Lebanon's Hezbollah—supported by Iran—has been quiet.

With the Israeli public demanding retribution, a worse case is that Israel acts directly against Iran. In that

case, oil prices could soar on the assumption that Iran would step up its harassment of tankers coming out of Iraq.

What won't happen is a repeat of the Arab oil embargo that followed the last invasion of Israel half a century ago, as Arab states are now much more friendly to Israel. That embargo threw much of the West into recession, led to fuel shortages in the U.S. and helped restructure the U.S. economy and

relations with the Saudis.

For investors, insuring against a true Iran-Israel conflict is easier than usual. The things to buy—oil stocks, defense stocks and Treasuries—were fairly attractive anyway, as the tight oil market delivered high profits and bond yields hadn't been so high since 2007.

True, expected earnings for U.S. oil companies are far higher than usual. But they're well below the peak last autumn, and even if they returned to the average since 2005, that would only push up the forward price-to-earnings multiple of the sector to its long-run average (even when the extreme high as profits plunged in 2020 is stripped out).

Defense stocks have the short-term boost from Russia's invasion of Ukraine and the long-run tailwind of a new U.S.-China cold war, and are much less expensive than they were earlier this year.

But they are exposed to the vagaries of domestic politics, demonstrated again by support for Ukraine being

excluded from the stopgap spending bill that averted government shutdown last month. Their gains on Monday price in a lot of extra weapons demand, with defense contractors the top five performers in the S&P, led by **Northrop Grumman** with an 11% gain.

I prefer Treasuries over bets on oil because I expect a U.S. slowdown as higher rates bite into the economy. But those who both worry about a wider conflict and see the potential for strong growth—and so higher bond yields—if there's no escalation, might prefer oil stocks.

Previous Middle East conflicts have rarely disrupted markets for long, with the exception of the big oil shocks from the embargo of 1973 and the Iran-Iraq war in 1979. With the ghosts of that era haunting markets in the form of central-bank mistakes and inflation, it may be prudent to protect one's portfolio against the specter of an escalation of the latest war, too.

Russia-Sanctions Probe Focuses on Oil Trader

The Justice Department is conducting a broad effort to crack down on violations of sanctions imposed on Russia's energy exports and has homed in on the possible activities of a prominent oil trader.

By Anna Hirtenstein, Costas Paris and Joe Wallace

The effort includes an investigation of Murtaza Lakhani, founder and chief executive of **Mercantile & Maritime Group**, a major oil trading and shipping company with head offices in Bahrain and Singapore. The probe is examining whether Lakhani traded Russian oil in breach of Western sanctions including a U.S.-led price cap, according to people familiar with the matter. The investigation is ongoing. It couldn't be determined whether any charges might result.

A spokesman for Lakhani didn't respond to a request for comment.

The U.S. and its allies have looked for ways to beef up oil sanctions that industry executives say have lost some of their effect on Russian oil revenue. After Russia's invasion

of Ukraine last year, the Justice Department set up the Task Force KleptoCapture unit last year to enforce policies intended to isolate the Russian economy, and to seize assets of sanctions violators.

Prices for Russia's oil have risen far above the Western-imposed price cap in recent months, indicating that Russia has found new ways to profit from its oil sales.

A person close to Rosneft Oil, the Russian state-backed energy giant, said the company is aware of a broad Justice Department probe into Russian oil shipments. A Rosneft spokesman didn't respond to a request for comment.

The Justice Department is examining whether Lakhani has a business relationship with Rosneft Chief Executive Igor Sechin, an ally of President Vladimir Putin, according to the people familiar with the matter. Sechin is personally sanctioned by the U.S.

A spokesman for Lakhani said in July that he and every company in which he has an interest were no longer involved in the Russian oil trade.

—Sadie Gurman and Andrew Duehren contributed to this article.

Rates Have Bank Stocks on the Mat

By CHARLEY GRANT

Rising interest rates helped spark a regional-banking crisis earlier this year. The turmoil eased, but bank stocks are still in the doldrums.

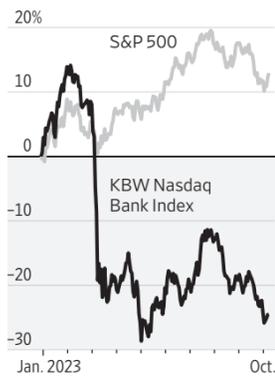
The KBW Nasdaq Bank Index fell 6.5% since mid-March when the regulators took control of Silicon Valley Bank. **KeyCorp** is down 9.6%, while **Comerica** and **Truist Financial** shed 4.8% and 15%, respectively. The S&P 500 gained 12%.

The bank index has underperformed the broad market by 37 percentage points in 2023, on pace for the widest annual gap on record going back to 1993, according to Dow Jones Market Data.

Deposits at U.S. banks have stabilized, easing fears that more banks could go under. But the effect of higher rates has put the sector's earnings power under a cloud. Moody's Investors Service and S&P Global Ratings downgraded the credit ratings of several banks in August, though they noted the sector has stabilized.

Investors say the uncertainty is reducing demand for stocks. "SVB was a bolt of lightning, but this has been a slow rolling storm that can weigh on profitability in a very ma-

Index performance



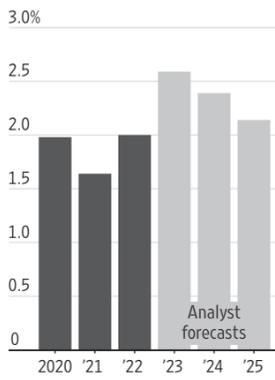
Source: FactSet

terial way," said Keith Buchanan, senior portfolio manager at Globalt Investments. His firm recommends clients limit exposure to the sector, he said.

Rising rates have posed a problem for a variety of stocks, but they hit banks especially hard. The 10-year Treasury yield settled Friday at 4.783%, up from 3.754% on July 19. The banking index rallied over the summer, but plunged again once yields resumed charging higher.

Higher yields forced banks to pay out more interest on deposits and other funding sources. Meanwhile, returns

JPMorgan's net interest margin



from lending at higher rates have been slower to catch up. The economy has stayed strong, but higher rates are making it harder for consumers to afford loans for big-ticket purchases.

Meanwhile, the aftermath of the crisis could have a lasting impact on earnings. The industry faces the prospect of tighter regulations and higher capital requirements, which would reduce the ability of banks to lend.

As a result, analysts are predicting net interest margin, a crucial measure of the profitability of lending, is peaking. Wall Street forecasts

a net margin of 2.59% this year at the largest U.S. bank, **JPMorgan Chase**, according to FactSet data. The analysts project that figure to drop to 2.14% by 2025. JPMorgan, **Wells Fargo** and **Citigroup** are among the banks scheduled to kick off the third-quarter earnings season when they report on Friday.

Investors pay attention to bank stocks because they give clues into the sector's strength and the health of the economy. JPMorgan and Goldman Sachs Group are included in the Dow Jones Industrial Average.

The selloff has left banks trading at modest valuations. KeyCorp trades at 1.1 times its tangible book value, a stripped-down measure of its net worth, according to FactSet. That is down from 2.3 times in February. **Zions Bancorp** trades at 1.3 times tangible book value, down from 2.5 times.

But even bulls say that investors hunting for value will need to be patient.

"From my standpoint, the stocks are pricing in permanent impairment of profitability, and I just don't see that happening," said David George, senior banking analyst at Baird. "Banks are not catalyst stocks; they're risk-reward stocks."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Trial Puts Apple's Google Money at Risk

Search deal is in focus just as worries grow about the iPhone 15 cycle and Apple's future in China

Google is the Silicon Valley company most associated with “moonshots,” but **Apple** might someday need one of its own—replacing Google.

The two have long been rivals, particularly since their Android and iOS platforms dominate the world's mobile operating system market. But they also are joined at the hip through a lucrative agreement under which Google pays Apple billions of dollars annually to be the default search option on the company's Safari internet browser. That gives Google preferential access to Apple's iOS users while giving Apple a steady and high-margin revenue stream for its vital services business, which now accounts for 21% of its revenue and 35% of its gross income.

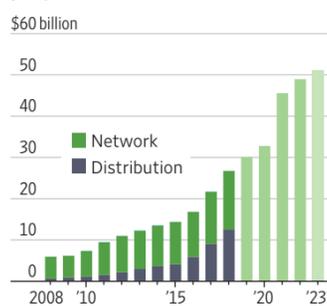
Neither company has ever been wild about discussing the arrangement publicly. Now the federal government's antitrust trial against Google that began last month has shone some light on the deal. It also brought to the stand **Microsoft** Chief Executive Satya Nadella who,

during testimony last week, described the setup as a “vicious cycle” that handicaps Google's potential competitors. They include Microsoft's Bing search engine, for which Nadella said the company tried for years to score a deal with Apple to take that default slot.

Questions about iPhone 15 sales and China will at least get a little more clarity in the near term. Apple's fiscal fourth-quarter report, scheduled for Nov. 2, will include a week of sales of the latest iPhones, which could at least indicate if reports about the new Pro models overheating had any cooling effect on actual sales. It also will give Apple a chance to address growing worries about its business in China, where authorities are cracking down on U.S. tech companies and where a once-hobbled local competitor, **Huawei**, seems to be making a comeback.

Questions about the ultimate fate of the company's deal with Google will likely persist. And they are expensive questions: Google parent **Alphabet** now incurs nearly

Google's traffic acquisition costs per year



*Projection
Note: Google stopped breaking out details of its TAC payments after 2018
Sources: the company (actual); FactSet (projection)

\$50 billion a year in traffic acquisition costs, which are payments to partners and sites that generate traffic for the company's search engine. Apple has long been estimated to receive the lion's share of a subset of those—Google's payments to distribution partners—which totaled \$12.6 billion in 2018 before Google stopped breaking out details

of its TAC payments. Distribution TAC payments had grown by 34% annually on average over the five-year period ended in 2018, compared with an average of 9% growth for TAC payments to network partners—sites that use Google's ad tools and refer traffic to its search engine.

Neither tech giant has ever disclosed the actual size of the payments to Apple. A government lawyer characterized the sum as more than \$10 billion a year during opening arguments, which drew protests from both companies in a public trial that has been forced to shield a lot of nonpublic information. Goldman Sachs analyst Eric Sheridan recently estimated an amount in the range of \$16 billion to \$17 billion a year.

That would represent about 20% of Apple's projected services revenue for the fiscal year that ended in September. Its absence would make an even larger dent in the company's earnings, since it has very little incremental cost and thus commands much higher margins

than other components of the services segment, such as TV+ and Apple Music. Morgan Stanley analysts estimate that losing all of Google's payments would take about 15% off Apple's per-share earnings in fiscal 2025, or 10% if the loss is limited to the U.S.

Apple needs to weigh its options carefully. Simply replacing Google's payments with an equal-sized revenue stream from a company like Microsoft could be problematic if the trial determines that such payments restrict overall competition. Apple has reportedly been developing its own in-house search engine alternative for years, and that effort could get a new push as the Google trial proceeds.

That wouldn't be simple, though: Google has had a 25-year head start to refine its technology, and Apple's recent stumbles in some of its in-house chip efforts show that even the deepest pockets can't always close a competitive gap. But Apple has billions of reasons to shoot for the moon.

—Dan Gallagher



The world will be short by more than 1 million barrels of oil a day for the rest of the year.

Oil Doesn't Need War to Rise

Hopes that oil supply might ease a bit next year, and inflationary pressures with it, are fading after Saturday's attack on Israel.

On Monday, Brent crude futures rose about 4% to \$88 a barrel as traders sized up the potential impact on global supply of a new war in the Middle East. Neither Israel nor Gaza are major oil producers, so there isn't an immediate effect. However, Iran's Islamic Revolutionary Guard Corps helped Hamas plan Saturday's assault on Israel, The Wall Street Journal reported. If Tehran's involvement is confirmed by U.S. officials, the Biden administration will likely take a much harder line on Iranian oil supply than it has in recent months.

At the start of this year, Iran was producing around 2.5 million barrels of oil a day, according to data from the International Energy Agency. By August, production had risen to 3.1 million barrels a day as the U.S. and Europe eased enforcement of sanc-

tions on the country's oil exports, probably because they were worried that rising energy prices would lead to another bout of inflation.

If a lax approach to Iranian shipments is now untenable, an oil surplus expected in the first quarter of next year probably won't materialize, and the global market could be short up to 2 million barrels a day later in 2024, according to Warren Patterson, head of commodities at ING. He points out Russia would potentially benefit from a crackdown on Iranian barrels, as Moscow might step in and supply the Chinese refineries that buy Tehran's crude.

The latest violence jeopardizes a White House-brokered deal that would see Saudi Arabia recognize Israel in return for a defense pact with the U.S. During negotiations, Saudi Arabia signaled it was willing to increase oil production next year as part of the bargain.

Without a deal, Saudi's interests aren't as aligned with the U.S., says

Neil Beveridge, senior energy analyst at Sanford C. Bernstein. The kingdom, which needs oil to remain above \$80 a barrel to balance its budget, may feel less pressure to reverse the 1-million-barrels-a-day voluntary production cuts that are due to expire in December. Saudi Arabia faces a balancing act: It needs the oil price to remain high, but not so high that it destroys demand.

Even before war broke out between Hamas and Israel, the oil market looked tight. The world will be short by more than 1 million barrels a day for the rest of the year because of restrictive OPEC+ production policies and voluntary cuts by Saudi Arabia and Russia. Last week's drop in oil prices, owing to worries about Chinese growth and low U.S. gasoline demand, always looked to be short-lived. While the geopolitical fallout of Hamas's actions over the weekend is unfolding, risks to global oil supply are already back on the table. —Carol Ryan

China's Golden Week Doesn't Glitter

Chinese tourism noticeably rebounded during the nation's eight-day Golden Week holiday, typically a tourism and spending bacchanal. But consumption and, more importantly, housing sales remained sluggish.

That means any meaningful recovery of the Chinese economy will still probably take a while. And tourism-dependent economies on China's periphery, such as Thailand, may have to adjust to thrifter Chinese tourists.

During the Golden Week holiday celebrating China's National Day—which was one day longer than usual this year—around 826 million people traveled around the country. That amounts to a 4.1% increase from 2019 levels when accounting for the extra day, according to the government.

That figure is rather underwhelming, given how high expectations were about China's post-Covid reopening just a few months ago. Tourism spending was up only 1.5% from 2019's Golden Week levels, meaning that each traveler actually spent less than before the pandemic. Retail sales at key firms increased only 9% year on year when compared with the first seven days of the holiday. Given the low base last year because of China's strict pandemic restrictions, that doesn't exactly amount to a bonanza.

Still, the lackluster domestic spending numbers may also reflect something a bit more positive: Chinese tourists are finally beginning to venture outside the mainland in larger numbers again.

Average daily cross-border traffic during the 2023 holiday reached 85% of 2019 levels. The pandemic-era hit to airline capacity—which was partly responsible for holding back international travel—is finally

beginning to fade. Nearby destinations are still the most popular. Around 1.8 million mainland Chinese traveled to Hong Kong and Macau during the holiday, according to data from the two semi-autonomous Chinese cities. That accounted for around 30% of all outbound visits from mainland China over the long break.

Apart from consumption, China's housing market also is taking a long time to bounce back, even given recent policy measures like lower down payments for second-time buyers meant to boost the market.

Home sales during the holiday were mixed even after many cities acted to support the market in late August and September. Those which have rolled out the most supportive policies seem to be doing better. For example, Guangzhou saw average daily home sales—measured in floor space—more than double from the same holiday period last year, according to research firm China Index Academy.

Some second-tier cities which have gone further with their property easing like Wuhan also have logged a strong rebound in home sales. But overall, average daily sales in 35 cities surveyed by the research firm fell 17% year over year in the holiday period. And the smallest cities performed far worse.

The Chinese economy looks to be stabilizing, but a strong rebound still seems far off. A popular internet meme now describes many tourists as “special forces”—i.e., get in and get out quickly, a rather different modus operandi than the conspicuous consumption of yesterday. If those kinds of habits become entrenched, it bodes poorly for China's tourism industry in the years ahead. —Jacky Wong

Citigroup's Turnaround Effort Faces Headwinds

Citigroup Chief Executive Jane Fraser has a big plan to slim down the bank's management layers. But that alone is unlikely to be enough to close the stock's big discount.

The CEO's no-holds-barred approach to trimming—“It's going to make some of our people very uncomfortable. I am absolutely fine with that,” she recently told analysts—is the kind of thing investors love to hear. Yet Citigroup's stock continues to languish. By one key measure, it is the KBW Nasdaq Bank Index's most beat-up stock, priced at 48% of tangible book value as of Friday's close. Before this year, it hadn't been that low in over a decade, according to FactSet data.

So investors might be tempted to think of this latest turnaround effort as an entry point for a value play in a too-big-to-fail bank, whose shares pay a yield of more than 5%. Warren Buffett's Berkshire Hathaway owned a roughly 3% stake in the bank as of its last regulatory filing.

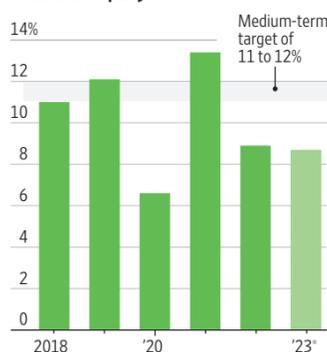
In the context of the most recent banking crisis sparked by Sili-

con Valley Bank's collapse, Citigroup has some key advantages. It doesn't have an outside portfolio of underwater government bonds and is less reliant on ultracheap retail deposits than peers. While it is a major consumer lender via its card business, it has relatively low exposure to commercial real estate. And it has a big bond-trading business that could benefit from volatility.

These things have probably helped the bank's stock hold up relatively well this year, falling less than many others in the KBW index. But what holds it back from a more meaningful move may be something more fundamental: It isn't expected to earn enough.

Its return on tangible common shareholder equity was 8.7% in the first half of 2023. That is below the annual return of recent years, save for 2020. But it is especially low in the context of the present market since higher interest rates pushed up the return demanded by investors to beat Treasuries. Hence a bigger discount to book value.

Citigroup return on tangible common equity



*First half
Source: the company

Efficiency gains can increase returns. However, the simplification of layers of management alone isn't expected to produce the bump needed to get to the level of returns that would close that book-value discount. The bank's efficiency target is to go from operating expenses being 68% of total revenue last year to un-

der 60% in the medium term. But that includes reducing the spending on exited noncore businesses and the regulator-overseen transformation of the bank's infrastructure and risk-and-control systems.

Executives said spending on the transformation process will decline and generate cost efficiencies through improved technology. Yet investors, having watched Wells Fargo grapple with its own process for many more years than hoped, aren't likely to give much credit until they see lower dollars spent in black-and-white, which isn't expected until at least later next year. “Turnarounds are show-me stories in banking,” says Autonomous Research analyst John McDonald.

Proposed Federal Reserve rules are set to increase banks' equity capital requirements, which can affect return on equity by increasing the denominator in that equation. Citigroup can offset some of that by shedding risky assets and by exiting from capital-intensive noncore businesses such as for-

eign consumer banking—though having to go the initial-public-offering route rather than an outright sale for its Mexico retail unit will push back the timing of the savings from that move.

Perhaps the most powerful way to get more efficient is to get more revenue off the same cost base. Chief Financial Officer Mark Mason told analysts that simplifying the bank can help revenue growth by moving “core businesses to the center.” The bank is aiming for a 4%-to-5% compound annual revenue growth rate, as part of its path to a targeted 11%-to-12% return on tangible common equity in the medium term.

Citigroup can't change interest rates or the Fed's rules, so in the coming quarterly report, investors might only be looking for indicators of progress, such as strong revenue growth in a core business like transaction-banking services. Those hoping the bank can close its discount valuation for good will need to adopt a Buffett-like longer-term perspective. —Telis Demos